

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

In re INTERSHOP COMMUNICATIONS AG)	Master File No. C-01-20333-JW
SECURITIES LITIGATION)	
_____)	<u>CLASS ACTION</u>
This Document Relates To:)	
)	NOTICE OF PENDENCY AND PROPOSED
ALL ACTIONS.)	SETTLEMENT OF CLASS ACTION
_____)	

IF YOU PURCHASED INTERSHOP COMMUNICATIONS AG (“INTERSHOP”) AMERICAN DEPOSITORY SHARES BETWEEN SEPTEMBER 29, 2000 AND JANUARY 2, 2001 OR INTERSHOP COMMON STOCK BETWEEN AUGUST 2, 2000 AND JANUARY 2, 2001, YOU COULD GET A PAYMENT FROM A CLASS ACTION SETTLEMENT.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Security and Time Periods: Intershop American Depository Shares (“ADS”) purchased on the NASDAQ market between September 29, 2000 and January 2, 2001; and Intershop common stock purchased on the Neuer Market between August 2, 2000 and January 2, 2001.

Settlement Amount: US\$3,151,392.56 in cash plus the possibility of additional payments by Intershop. The settlement amount will increase if on or before January 27, 2006 Intershop merges with or is acquired by another entity or Intershop sells additional amounts of the zero-coupon convertible debt securities with a maturity of December 15, 2008, which it began selling on January 26, 2005 (“Bonds”). Your recovery will depend on the amount of securities purchased and the timing of your purchases and any sales. Depending on the number and type of eligible securities that participate in the Settlement and when those securities were purchased and sold, the estimated average recovery per ADS will be approximately US\$5.14 before deduction of Court-approved fees and expenses.

Reasons for Settlement: Avoids the costs and risks associated with continued litigation, including danger of no recovery.

If the Case Had Not Settled: Continuing with the case could have resulted in dismissal or loss at trial. The two sides do not agree on the amount of money that could have been won if Lead Plaintiffs prevailed at trial. The parties disagree about: (1) the method for determining whether the Intershop securities at issue were artificially inflated during the relevant period; (2) the amount of any such inflation; (3) the extent that various facts alleged by Lead Plaintiffs were materially false or misleading; (4) the extent that various facts alleged by Lead Plaintiffs influenced the trading price of the Intershop securities at issue during the relevant period; and (5) whether the facts alleged were material, false, misleading or otherwise actionable under the securities laws.

Attorneys’ Fees and Expenses: Court-appointed Co-Lead Counsel will ask the Court for attorneys’ fees of 25% of the Settlement Amount and reimbursement of out-of-pocket expenses not to exceed US\$475,000 to be paid from the Settlement Amount. If the above amounts are requested and approved by the Court, the average cost per ADS will be US\$2.055. Co-Lead Counsel have not received any payment for their work investigating the facts, conducting this Litigation and negotiating the Settlement on behalf of the Lead Plaintiffs and the Class.

Deadlines:	Submit Claim:	January 24, 2006
	Request Exclusion:	November 29, 2005
	File Objection:	November 29, 2005

Court Hearing on Fairness of Settlement: December 5, 2005

**QUESTIONS? CALL 215-979-1620 OR VISIT:
WWW.RG2CLAIMS.COM**

More Information:

www.rg2claims.com or

Claims Administrator:
RG/2 Claims Administration LLC
P.O. Box 59479
Philadelphia, PA 19102-9479

Co-Lead Counsel:
Rick Nelson
Shareholder Relations
Lerach Coughlin Stoia Geller Rudman & Robbins LLP
655 West Broadway, Suite 1900
San Diego, CA 92101

or

Ralph Stone
Shalov Stone & Bonner LLP
485 Seventh Avenue, Suite 1000
New York, NY 10018

- Your legal rights are affected whether you act or don't act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

SUBMIT A CLAIM FORM . . . The only way to get a payment.

EXCLUDE YOURSELF Get no payment. This is the only option that allows you to participate in another lawsuit against the Defendants relating to the legal claims in this case.

OBJECT You may write to the Court if you don't like this Settlement.

GO TO A HEARING You may ask to speak in Court about the fairness of the Settlement.

DO NOTHING Get no payment.

- These rights and options - *and the deadlines to exercise them* - are explained in this Notice.
- The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

BASIC INFORMATION

1. Why Did I Get This Notice Package?

You or someone in your family may have purchased Intershop American Depository Shares between September 29, 2000 and January 2, 2001 or purchased Intershop common stock between August 2, 2000 and January 2, 2001.

The Court sent you this Notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves it and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of California, and the case is known as *In re Intershop Communications AG Securities Litigation*, Master File No. C-01-20333-JW. The people who sued are called the Lead Plaintiffs, and the company and the individuals they sued, Intershop, Stephen Schambach, Wilfried Beeck and Keith Costello, are called the Defendants.

2. What Is This Lawsuit About?

This case was brought as a class action alleging that the Defendants misled investors about Intershop's success in the United States and the acceptance of its products in the United States. Lead Plaintiffs asserted that in truth Defendants knew that Intershop's United States sales were poor. On January 2, 2001, Intershop announced it had US\$4 million in United States revenues for the previous quarter, as compared to its projected revenues of US\$35-US\$44 million. Lead Plaintiffs allege that Class Members suffered millions of dollars in damages as a result of the misleading information provided to the market about Intershop. Defendants deny that they did anything wrong.

3. Why Is This a Class Action?

In a class action, one or more people called class representatives (in this case the Court-appointed Lead Plaintiffs, David Wall, Klaus Boeckle, Johann Sievers, Jurgen Fischer, Cristian Alexandrescu and Uwe Geerhard), sue on behalf of people who have similar claims. Here, all these people are called a Class or Class Members. One court resolves the issues for all class members, except for those who exclude themselves from the class. Judge James Ware is in charge of this class action.

4. Why Is There a Settlement?

The Court did not decide in favor of Lead Plaintiffs or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the cost of a trial, and eligible Class Members who make a valid claim will get compensation. The Lead Plaintiffs and their attorneys think the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to determine if you are a Class Member.

5. How Do I Know if I Am Part of the Settlement?

The Class includes *(a) all persons who purchased Intershop American Depository Shares between September 29, 2000 and January 2, 2001 on the NASDAQ market and (b) all persons who purchased Intershop common stock between August 2, 2000 and January 2, 2001 on the Neuer Market, except those persons and entities that are excluded, as described below.*

6. What Are The Exceptions to Being Included?

You are not a Class Member if you are one of the Defendants listed in question 1, a member of the immediate family of one of the Individual Defendants listed in question 1, an entity in which any Defendant has a controlling interest, a current or former director or officer of Intershop, a legal representative, heir, successor, or assign of any excluded party.

If you sold Intershop American Depository shares between September 29, 2000 and January 2, 2001 or Intershop common stock between August 2, 2000 and January 2, 2001, that alone does not make you a Class Member. You are a Class Member only if you purchased Intershop American Depository Shares between September 29, 2000 and January 2, 2001 or Intershop common stock between August 2, 2000 and January 2, 2001.

7. I'm Still Not Sure if I Am Included.

If you are still not sure whether you are included, you can ask for free help. You can call Rick Nelson at 619/231-1058 for more information. Or you can fill out and return the claim form described in question 10, to see if you qualify.

THE SETTLEMENT BENEFITS - WHAT YOU GET

8. What Does the Settlement Provide?

Defendants have paid US\$3,151,392.56 in cash to be divided among all eligible Class Members who send in valid claim forms, after payment of Court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the "Net Settlement

Amount”). In addition, Defendants have agreed to increase the Settlement Amount if: (a) on or before January 27, 2006, Intershop merges with or is acquired by a company or entity other than a parent, subsidiary or holding company or equivalent entity fully owned by Intershop that is utilized solely to effectuate an internal corporate reorganization or recapitalization, in which event Intershop will increase the Settlement Amount by €2,500,000 (Two Million Five Hundred Thousand Euros); or (b) Intershop consummates the sale of any additional portion of the currently issued but unsold Bonds, in which case it shall increase the Settlement Amount by 20% (twenty percent) of the proceeds that it derives from that portion of its sale of the Bonds, less all costs, expenses and fees incurred in selling that additional portion of the Bonds. Intershop shall not be obligated to increase the Settlement Amount in connection with its issuance and sale of any equity or debt instruments other than the Bonds. Intershop will increase the Settlement Amount within thirty (30) calendar days following the occurrence of such event or events.

9. How Much Will My Payment Be?

Your share of the fund will depend on the number of valid claim forms that Class Members send in and how many Intershop American Depository Shares (“ADS”) or shares of Intershop common stock you purchased during the relevant period and when you bought and sold them. A claim will be calculated as follows:

American Depository Shares

- (a) For Intershop ADSs *purchased from September 29, 2000 through December 29, 2000*, and
 - (i) sold on or before December 29, 2000, the claim per ADS shall be 10% of the difference between the purchase price per ADS and the sales price per ADS;
 - (ii) sold on January 2, 2001, the claim per ADS shall be the lesser of the purchase price per ADS less the sales price per ADS, or US\$103.125 (January 2, 2001 price decline);
 - (iii) held at the close of trading on January 2, 2001, the claim per ADS shall be US\$103.125 (January 2, 2001 price decline).
- (b) For Intershop ADSs *purchased on January 2, 2001*, the claim per ADS shall be US\$0.00.

Common Stock

- (a) For common shares of Intershop *purchased from August 2, 2000 through December 29, 2000*, and
 - (i) sold on or before December 29, 2000, the claim per share shall be 10% of the difference between the purchase price per share and the sales price per share;
 - (ii) sold on January 2, 2001, the claim per share shall be the lesser of the purchase price per share less the sales price per share, or €113.727 (January 2, 2001 price decline);
 - (iii) held at the close of trading on January 2, 2001, the claim per share shall be €113.727 (January 2, 2001 price decline).
- (b) For common shares of Intershop *purchased on January 2, 2001*, the claim per common share shall be US\$0.00.

The payment you get will reflect your pro rata share of the Net Settlement Amount. Depending on the number and type of eligible securities that participate in the Settlement and when those shares were purchased and sold, the estimated average payment per ADS will be approximately US\$5.14 before deduction of Court-approved fees and expenses. The number of claimants who send in claims varies widely from case to case. If fewer than anticipated Class Members send in a claim form, you could get more money.

The date of acquisition or sale is the “contract” or “trade” date as distinguished from the “settlement” date.

For Class Members who held Intershop securities at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases and sales for purposes of calculating a claim. Under the FIFO method, sales of securities during the Class Period will be matched, in chronological order, first against securities held at the beginning of the Class Period. The remaining sales of securities during the Class Period will then be matched, in chronological order, against securities purchased during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Amount only if a Class Member had a net loss, after all profits from transactions in Intershop securities during the Class Period are subtracted from all losses.

HOW YOU GET A PAYMENT - SUBMITTING A CLAIM FORM

10. How Will I Get a Payment?

To qualify for payment, you must be an eligible Class Member and you must send in a claim form. A claim form is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later than January 24, 2006.

11. When Will I Get My Payment?

The Court will hold a hearing on December 5, 2005, to decide whether to approve the Settlement. If Judge Ware approves the Settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps several years. Everyone who sends in a claim form will be informed of the determination with respect to their claim. Please be patient.

12. What Am I Giving Up to Get a Payment or Stay in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants about the same legal issues in this case. It also means that all of the Court's orders will apply to you and legally bind you and you will release your claims in this case against the Defendants. The terms of the release are included in the claim form that is enclosed.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you don't want a payment from this Settlement, and you want to keep the right to sue or continue to sue the Defendants on your own about the same legal issues in this case, then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

13. How Do I Get Out of the Class?

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from *In re Intershop Communications AG Securities Litigation*, Master File No. C-01-20333-JW. You must include your name, address, telephone number, your signature, and the number of Intershop American Depository Shares purchased between September 29, 2000 and January 2, 2001 and the number of shares of Intershop common stock you purchased between August 2, 2000 and January 2, 2001, the number and type of securities sold during these time periods, if any, and the dates of such purchases and sales. You must mail your exclusion request postmarked no later than November 29, 2005 to:

Intershop Securities Litigation
c/o RG/2 Claims Administration LLC
P.O. Box 59479
Philadelphia, PA 19102-9479

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to get any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?

No. Unless you exclude yourself, you give up any right to sue the Defendants for the claims resolved by this Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is November 29, 2005.

15. If I Exclude Myself, Can I Get Money from This Settlement?

No. If you exclude yourself, do not send in a claim form. But, you may sue, continue to sue, or be part of a different lawsuit against the Defendants.

THE LAWYERS REPRESENTING YOU

16. Do I Have a Lawyer in This Case?

The Court asked the law firms of Lerach Coughlin Stoia Geller Rudman & Robbins LLP and Shalov Stone & Bonner LLP to represent you and other Class Members.

These lawyers are called Co-Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How Will the Lawyers Be Paid?

Co-Lead Counsel will ask the Court for attorneys' fees of 25% of the Settlement Amount (an average of US\$1.285 per share) and for reimbursement of their out-of-pocket expenses up to US\$475,000 (US\$0.77 per share), which were advanced in connection with the Litigation. Such sums as may be approved by the Court will be paid from the Settlement Amount. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Co-Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Co-Lead Counsel have not been paid for their services for conducting this Litigation on behalf of the Lead Plaintiffs and the Class nor for their substantial out-of-pocket expenses. The fee requested will compensate Co-Lead Counsel for their work in achieving the Settlement Amount and is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may award less than this amount.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you don't agree with the Settlement or some part of it.

18. How Do I Tell the Court that I Don't Like the Settlement?

If you are a Class Member, you can object to the Settlement if you don't like any part of it. You can give reasons why you think the Court should not approve it. The Court will consider your views. To object, you must send a letter saying that you object to the Settlement in *In re Intershop Communications AG Securities Litigation*, Master File No. C-01-20333-JW. Be sure to include your name, address, telephone number, your signature, the number of Intershop American Depository Shares purchased and sold between September 29, 2000 and January 2, 2001 and the number of shares of Intershop common stock purchased and sold between August 2, 2000 and January 2, 2001, and the reasons you object to the Settlement. Any objection to the Settlement must be mailed or delivered such that it is received by each of the following no later than November 29, 2005:

Court:

CLERK OF THE COURT
UNITED STATES OF DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION
United States Courthouse
280 South 1st Street
San Jose, CA 95113

Co-Lead Counsel for Plaintiffs:

Joy Ann Bull
LERACH COUGHLIN STOIA GELLER RUDMAN & ROBBINS LLP
655 West Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

D. Anthony Rodriguez
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, CA 94105-2482

19. What's the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you don't like something about the Settlement. You can object *only if* you stay in the Class. Excluding yourself is telling the Court that you don't want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you don't have to.

20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a fairness hearing at 9:00 a.m., on December 5, 2005, at the United States Courthouse, 280 South 1st Street, San Jose, California. At this hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Ware will listen to people who have asked to speak at the hearing. The Court will also consider how much to pay to Co-Lead Counsel. The Court may decide these issues at the hearing or take them under consideration. We do not know how long these decisions will take.

21. Do I have to Come to the Hearing?

No. Co-Lead Counsel will answer questions Judge Ware may have. But, you are welcome to come at your own expense. If you send an objection, you don't have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

22. May I Speak at the Hearing?

You may ask the Court for permission to speak at the fairness hearing. To do so, you must send a letter saying that it is your intention to appear in *In re Intershop Communications AG Securities Litigation*, Master File No. C-01-20333-JW. Be sure to include your name, address, telephone number, your signature, and the number of Intershop American Depository shares purchased between September 29, 2000 and January 2, 2001 and the number of shares of Intershop common stock purchased between August 2, 2000 and January 2, 2001. Your notice of intention to appear must be received no later than November 29, 2005, by the Clerk of the Court, Co-Lead Counsel, and Defendants' counsel, at the three addresses listed in question 18. You cannot speak at the hearing if you exclude yourself from the Class.

IF YOU DO NOTHING

23. What Happens if I Do Nothing at All?

If you do nothing, you'll get no money from this Settlement. But, unless you exclude yourself, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants about the same legal issues in this case.

GETTING MORE INFORMATION

24. Are There More Details About the Settlement?

This Notice summarizes the proposed settlement. More details are in the Stipulation of Settlement. You can get a copy of the Stipulation of Settlement by writing to Rick Nelson, Lerach Coughlin Stoa Geller Rudman & Robbins LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101 or from the Clerk's office at the United States District Court for the Northern District of California, 280 South 1st Street, San Jose, California during regular business hours.

25. How Do I Get More Information?

You can call 619/231-1058 or write to Rick Nelson, Lerach Coughlin Stoia Geller Rudman & Robbins LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, or call Ralph Stone at 212/239-4340 or write to Shalov Stone & Bonner LLP, 485 Seventh Avenue, Suite 1000, New York, NY 10018 or visit the website at www.rg2claims.com.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

If you hold Intershop American Depository Shares purchased between September 29, 2000 and January 2, 2001 or shares of Intershop common stock purchased between August 2, 2000 and January 2, 2001 as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Intershop Securities Litigation
c/o RG/2 Claims Administration LLC
P.O. Box 59479
Philadelphia, PA 19102-9479

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: September 30, 2005

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION