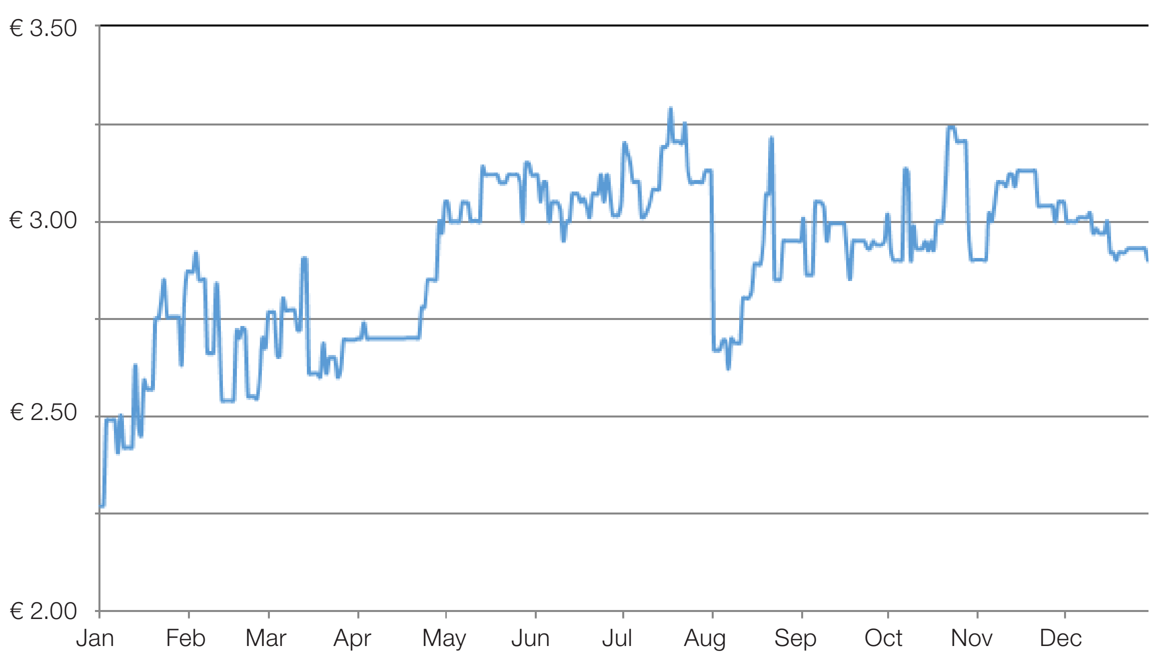
artnet AG

Annual Report 2014

Key Financial Figures for the artnet Group

	12/31/2014	12/31/2013	Difference (Balance)
Revenue (kEUR)	13,907	12,968	939
Profit from Operations (kEUR)	(588)	13	(601)
Earnings Before Tax (kEUR)	(2,197)	45	(2,242)
Earnings per Share (EUR)	(0.55)	0.01	(0.56)
Weighted Number of Shares (kEUR)	5,553	5,553	–
Cash Flow from Operating Activities (kEUR)	(40)	827	(867)
Staff (Year End)	118	106	12
Cash and Cash Equivalents (kEUR)	1,181	1,529	(348)
Equity (kEUR)	(223)	2,214	(2,437)
Total Assets (kEUR)	4,627	6,039	(1,412)

Development of the artnet AG Share XETRA Closing Prices in 2014



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Jacob Pabst
CEO, artnet AG

Dear Shareholders,

2014 marked the 25th anniversary of artnet. From the day it was founded, the Company has been a pioneer in promoting price transparency, liquidity, and growth in the art market, and revolutionizing the art market as a whole. Over the past 25 years, artnet has emerged as a leader in the online art market by providing innovative products and services, which have always reflected the developments within the industry.

Following a phase of reorganization and consolidation in 2012 and 2013, the Company expanded with targeted investments in order to set itself apart in a highly competitive online market, and to strengthen its market leadership. In the first quarter of 2014, artnet launched the new and innovative 24-hour global art market newswire, artnet News. With this platform, artnet attracts up to 1.8 million monthly visitors to the site. As a result, the number of visitors to the artnet site was doubled and our Google ranking improved significantly. Thus, not only did advertising revenue increase, but all other business segments benefited as well.

In addition, we focused on the launch of the website redesign, which introduced an attractive interface and more intuitive site navigation. The redesign was rolled out in several phases for the various products and services. The upgrading of the site's layout and technology has greatly strengthened brand image.

In the 2014 financial year, artnet achieved an increase in revenue of 7.2% compared to the previous year, to 13.9 million EUR (18.5 million USD). The artnet Price Database and artnet Auctions segments achieved the highest revenues in the Company's history, and advertising revenue increased by 38.9% in euros compared to the previous year. The artnet Gallery Network segment recorded a slight decline in revenue. Overall, we fell short of achieving our ambitious revenue target of 14 to 15 million EUR.

In March 2015, the positive developments of the 2014 fiscal year were overshadowed retroactively, as the Paris Court of Appeal ordered artnet AG, artnet France sarl, and Artnet Worldwide Corporation to pay approximately 0.8 million EUR; the court ruled in favor of a photographer who sued artnet for copyright infringement. This was unexpected as the court had ruled differently in the first instance, in which artnet had prevailed. It should be noted that the photographer is not an artist but a photographer of furniture, taking photos for auction house catalogues. Even though it can never be ruled out that, particularly in France, other photographers may attempt to sue artnet in a similar case, artnet has never been sued for copyright infringement. In terms of the number of lots available in the Price Database, the case has had hardly any impact. In fact, auction houses and their hired photographers, as well as the art market, generally agree that the artnet Price Database plays an essential role in the industry, and that it has to continue to do so in the future, as auction houses, galleries, appraisers, and even insurers could not carry out their work in the same way without it.

The announcement of the ruling by the Paris Court of Appeal weighed heavily on the artnet share price. I want to reassure you that although I was upset by the news, we will do everything possible to oppose this ruling, which artnet won in the first instance. The Paris Court of Appeal disregarded essential arguments made by artnet during the proceeding, and appears not to have treated the case individually. For the review of the ruling at the French Court of Cassation, we hope for a dismissal of the ruling because of these procedural errors, and hope for the referral of the case to a different court for a new hearing. When and if the order will result in a cash outflow cannot be predicted at this time.

For this judgment, as well as for a pending proceeding on the same matter in Germany, a provision in the amount of approximately 1.0 million EUR has been created, which includes procedural costs. The Group's consolidated annual result of -3.0 million EUR (-3.9 million USD) was considerably behind the anticipated return of 0.6 million EUR for the 2014 fiscal year. Along with the aforementioned provision, this was, in particular, the result of higher costs from product improvements, as well as extraordinary effects. One extraordinary effect was an unrealized loss of 0.3 million EUR (0.4 million USD), resulting from a currency exchange valuation of an intragroup liability from artnet AG to Artnet Worldwide Corporation, following a significant depreciation of the euro against the US dollar in the second half of the 2014 fiscal year. Another negative effect on the result came from a decision to reevaluate deferred tax items of 0.8 million EUR (1.0 million USD). Additionally, an intangible asset in the amount of 0.5 million EUR (0.7 million USD) for artnet Analytics was fully written off. We still believe in the benefits that these individually generated Analytics Reports offer to art lovers and collectors, however, they are still a novelty in the art market and are perceived as too complex and technical by many. Therefore, the sales volume anticipated when the product was launched could not be achieved in the required time. The artnet Analytics product will still be available, and will continue to be used to generate custom-made reports. Further, it will be used in combination with artnet News articles and offered via artnet Market Watch. Similarly, the Price Database struggled to be fully accepted following its launch, but has since become an essential tool for art dealers and auction houses.

At the beginning of 2014, artnet launched the news platform artnet News, which publishes articles 24/7, and has become the leading news resource in the art world. artnet News increased awareness for artnet, and, in particular, led to an increase in revenues for advertising. Just four months after its launch, artnet was able to report that it had established the world's definitive online news platform for art. In 2014, we achieved remarkable success with regard to the placement of advertising campaigns on our site. Compared to the previous year, revenue increased by 0.4 million EUR, to 1.4 million EUR (1.9 million USD).

The sales value for art auctions increased globally by 12.1%, and new auction records were set in 2014, receiving widespread attention in the media. However, the increasing dominance of blue-chip auction houses and galleries drives out smaller businesses. Therefore, many galleries were forced to cut expenses or even go out of business, resulting in a decreasing number of members in the Gallery Network. To improve our offerings and to increase traffic to the gallery pages, several changes were introduced, such as the redesign of gallery pages, artist pages, and the Events page, which promotes gallery openings, exhibitions, art fairs, and auctions worldwide. The Gallery Network was the only segment that did not have an increase in revenue, with revenue for the segment decreasing 5.7%, to 4.5 million EUR (5.9 million USD).

The Price Database segment achieved 5.6 million EUR (7.5 million USD) in revenue, marking the highest revenue in the Company's history. This was a result of price increases in recent years, especially for institutional clients. Throughout the year, over 1.0 million auction lots from more than 750 auction houses in approximately 70 countries were added to the database. At the end of 2014, the database contained 9.3 million lots from around the world, and it remains the unmatched gold standard in terms of volume and quality.

In 2014, artnet Auctions reached a revenue of 2.4 million EUR (3.1 million USD), representing a growth of 13% compared to the previous year. We focused on high-value lots, and, as a result, the average lot value increased by 36.6%, to 9,578 USD over the year. Additionally, we recorded 17.8% more registrations compared to the previous year, indicating increasing confidence and interest in buying and selling art online. In November 2014, the redesign of the artnet Auctions site led to an enhanced presentation of the artworks, along with a more intuitive layout, which improved the buying experience from a technical and visual perspective.

On the following pages, you will find an overview of the main events from each quarter in 2014. The selection illustrates the successful enhancements made to artnet's range of services and the brand profile, and the ways in which the Company is positioned for future growth.

Yours sincerely,

Jacob Pabst
CEO, artnet AG

Highlights 2014

Successful Quarter for artnet Auctions

In January 2014, Andres Serrano's *Piss Christ* achieved the impressive result of 144,000 USD, surpassing its high estimate. Following other strong sales, the newest of artnet's segments achieved a revenue of approximately 1.0 million USD in the first quarter of 2014, a 41% increase compared to the first quarter of 2013.

Launch of artnet News

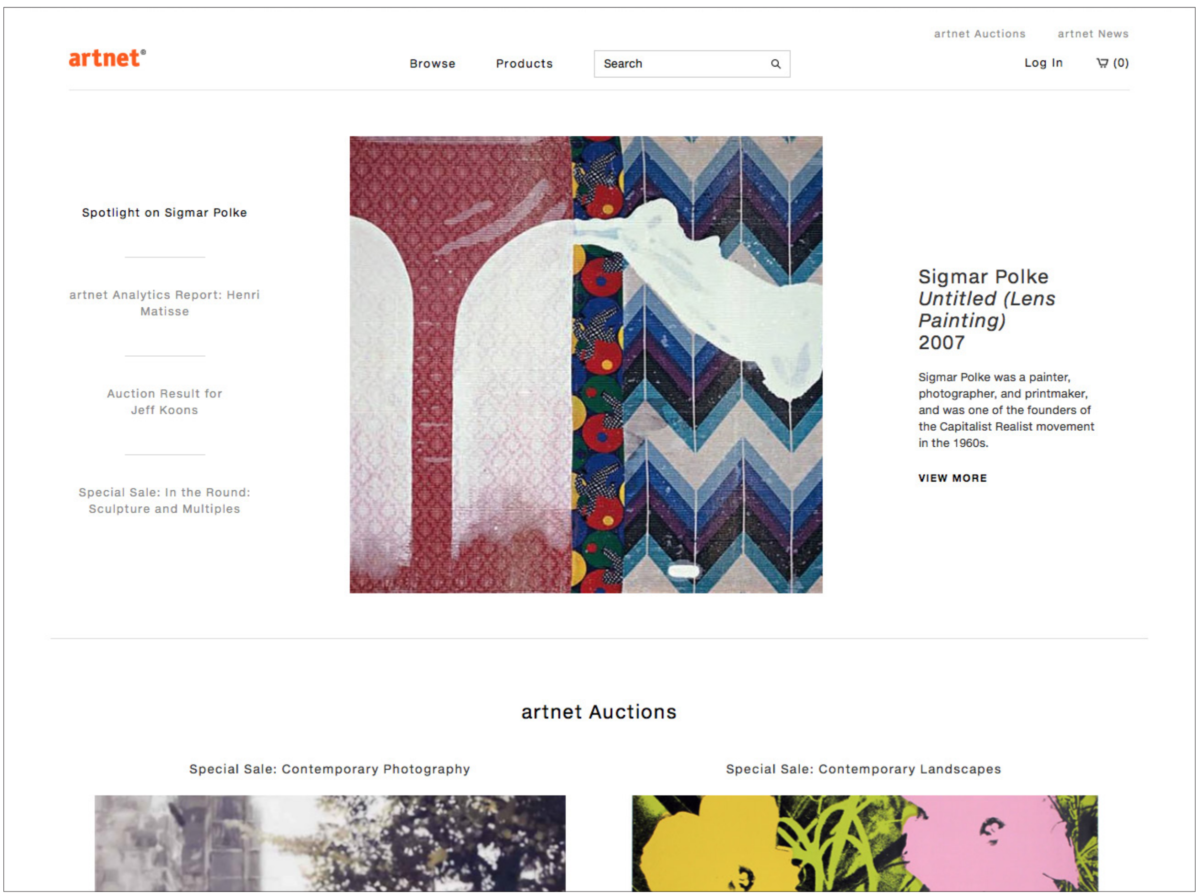
In just six weeks, editor-in-chief Benjamin Genocchio brought together a team of journalists to launch the 24-hour global art market newswire, artnet News, which went live in February 2014. This platform provides collectors and professionals with international art news, and publishes in-depth reports on market trends based on information sourced from the Price Database, the Gallery Network, and artnet Auctions.

artnet and CAA Host Art Market Summit during Asia Week in New York

On March 13, 2014, artnet partnered with the China Association of Auctioneers (CAA) to host *Chinese Art Market: Present and Future*, an international summit of experts on Chinese art, which coincided with Asia Week in New York. The attendees heard from auctions specialists, collectors, reporters, and other industry professionals on the rapid growth of the Chinese art market.

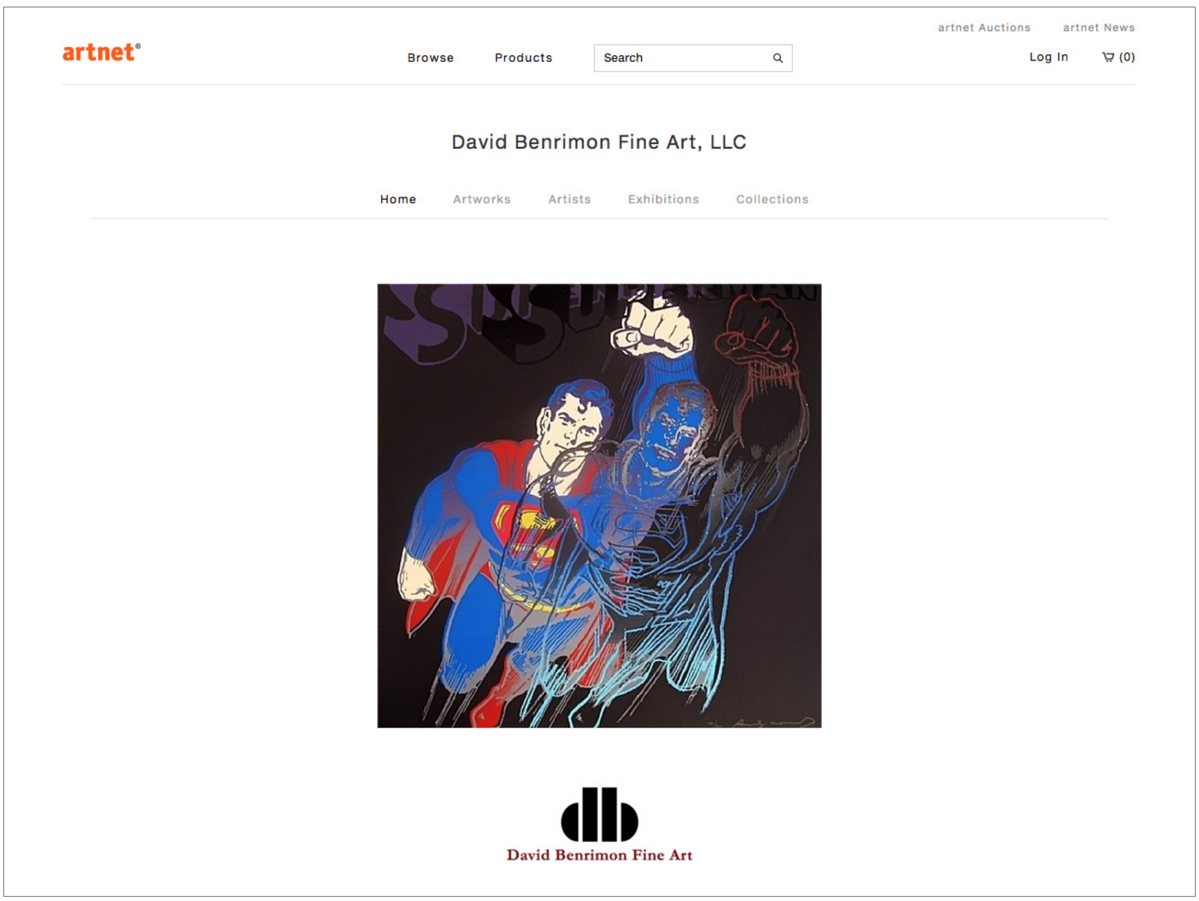
Redesign of the Site

Following months of preparation, the redesign of the site was launched at the beginning of the second quarter of 2014, marking a milestone in the recent history of the Company. The redesign introduced a contemporary interface and an intuitive navigation, enhancing usability. All products and services will be changed to reflect the new design, which is set to be completed in 2015.



Redesign of the Gallery Network

Due to the importance of the Gallery Network segment, gallery pages were some of first pages to be redesigned. New features include a zoom functionality, a view-to-scale option, and larger images, which enable galleries to better present their artists and artworks online. In addition, users are able to inquire about artworks directly on the gallery membersite.



artnet News Becomes the World's Most Widely Read Dedicated Art News Site

Four months after its launch, the news platform, artnet News, recorded 1 million visits to the site in a one-month period, making it the art world's definitive go-to source for news. In combination with the redesign of the site, artnet News has led to more pageviews on artnet and the launch of several advertising campaigns by luxury brands.

Increasing Revenue for the artnet Price Database

The Price Database achieved a strong revenue of 1.9 million USD in the second quarter, and a total of 7.5 million USD for the year—the highest in the Company's history. With more than 9 million auction records and its renowned and highly valued data, the Price Database remains the gold standard for the art market.

Artist Pages Achieve High Number of Pageviews

In the third quarter, the artist and product pages were redesigned. Because artnet is often listed at the top of Google search results, the artist pages are the “gateway to artnet” for many visitors and generate high traffic numbers. The artist pages list artworks, auction results, and art dealers for more than 300,000 artists.

Global Chinese Art Auction Market Report 2013

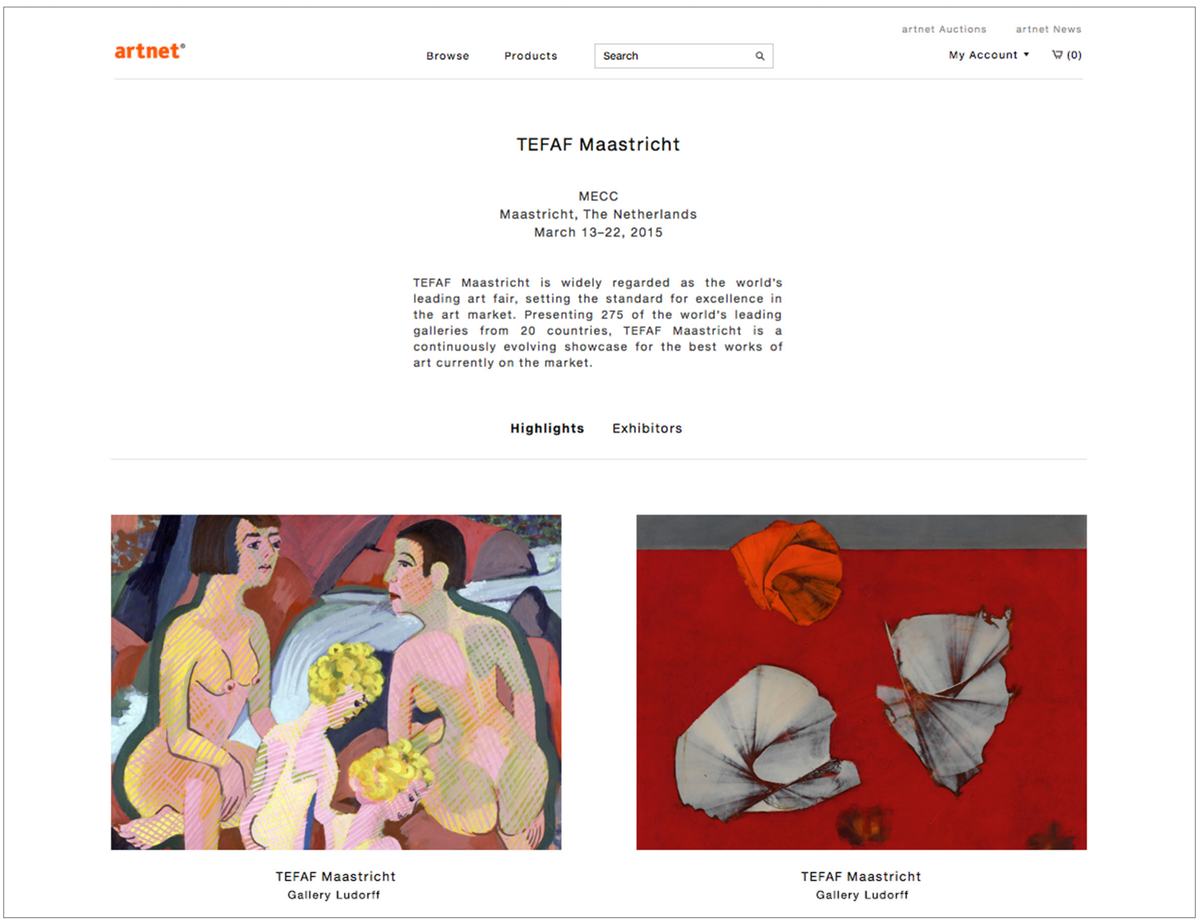
Following its success the previous year, artnet released the second edition of its *Global Chinese Art Auction Market Report 2013* in collaboration with the China Association of Auctioneers (CAA), taking an in-depth look at the Chinese art and antiques market in 2013. With the goal of creating a new standard of transparency, all auction results from mainland China were vetted by CAA and artnet. The report contains interviews with leading members of the art world and detailed market data. It appeared, among other places, on bloomberg.com, as well as in Chinese media, increasing awareness for the artnet brand in China. In addition, the report was downloaded several hundred times, in Mandarin and English, from the artnet site.

Improvements to IT

In 2014, a series of improvements were made to the IT. The Content Delivery Network (CDN) allows faster data transfer around the world by using local servers in various countries. In addition, the Web Application Firewall (WAF) was installed, which better protects our database, our network, and client information. In combination with our new search technology, the artnet site has become faster, more flexible, and more secure.

artnet and TEFAF Partner for 2015 Art Fair

In the third quarter of 2014, a partnership agreement was made between artnet and the 2015 edition of TEFAF Maastricht, one of the world's leading art fairs. This partnership, the first of its kind for both artnet and TEFAF, provided participating non-member galleries with a membersite in the Gallery Network, with the aim of signing these galleries as long-term clients. Both before and during the fair, over 200 galleries were featured on a dedicated page on the artnet site, which gave visitors the opportunity to contact galleries directly about the works on display.



artnet Auctions Redesign

The redesign of artnet Auctions better showcases the artworks and simplifies the site navigation, making the browsing and buying experience more convenient for our users. By focusing on higher-value lots, the average price of sold lots increased by 37%.

Highest Revenue Achieved for artnet Auctions in 2014

The revenue for artnet Auctions increased by 13%, to 3.2 million USD, while sales volume increased by 17%. Both figures represent the highest revenue ever achieved for this segment, supporting the segment's growing importance to the Company. The positive trend indicates the increasing acceptance of buying and selling art online, underlined by the fact that the number of artnet Auctions registrants grew by 21% in 2014.

Events Page Attracts More Visitors

Launched in the fourth quarter of 2014, Events is used by art enthusiasts to learn about current and upcoming happenings around the world. The redesign of the page represents another important step in driving traffic to galleries, museums, auction houses, and art fairs. Due to the redesign, traffic on the page increased within a few days.

Promising Revenue Result for Advertising

With the redesign of the site, and an increased number of visitors due to artnet News, artnet sold banners to luxury brands, in particular, such as Louis Vuitton, Tiffany, and Gucci, who were able to reach their targeted audience through artnet. As a result, revenue in the fourth quarter of 2014 doubled compared to the same period last year.

artnet on Social Media

In 2014, artnet expanded its social media coverage into China. By the end of the year, artnet had 33,000 subscribers on WeChat, a popular Chinese messaging app. Worldwide, artnet had over 700,000 followers on Twitter at the end of 2014. Our social media presence enables us to keep our users up to date on the latest art world news, as well as post information about upcoming artnet Auctions and other Company developments.

Core Statement

artnet is the leading online resource for the international art market. Established in 1989, artnet provides reliable information and market transparency to art collectors. Our comprehensive suite of products includes the artnet Price Database, which offers objective price information, and the artnet Gallery Network, providing a global market overview to users around the world.

With 24/7 worldwide bidding, artnet Auctions was the first online marketplace for collecting art. Our auction platform allows for immediate transactions, with seamless flow between consignors, specialists, and collectors.

Company Development

artnet AG was formed in 1998 as an information service provider for the art market. It took over Artnet Worldwide Corporation, which was formed in New York in 1989, and moved the artnet Price Database and the artnet Gallery Network online by the mid-1990s.

More than any other company, artnet has modernized the art business. artnet products provide reliable information and transparent commercial terms for collectors, gallery owners, museums, and investors, and have become indispensable tools for independent market players. Through artnet Auctions, artnet has developed from a pure information service provider to a transaction platform, and has further expanded its leading position in the art market.

artnet has gradually built up its information services and transaction platform around its first product, the artnet Price Database Fine Art and Design. This database was set up in response to the decentralized art market of the late 1980s. At the time, the art market lacked transparency, which was a stumbling block for buyers in particular. The art business had, of course, always been international, but it was managed locally in a relatively inefficient market by tens of thousands of geographically disparate art dealers, galleries, auction houses, book publishers, museums, and collectors.

The Price Database provides these local markets with a global standard of comparison, listing Fine Art, Design, and Decorative Art auction results, including results for more than 300,000 artists and designers. Since 2009, the artnet Price Database Decorative Art has provided results for international antique auctions. Today, the Price Database contains over 9 million auction results from more than 1,600 international auction houses, dating back to 1985.

Another pillar of the artnet business is the artnet Gallery Network, which was introduced in 1995. With 1,400 galleries and approximately 170,000 artworks by nearly 35,000 artists from around the globe, this product is the world's most comprehensive platform for galleries online. The Gallery Network serves dealers and art buyers in equal measure by giving them an overview of the global market, prices, and price trends, and allowing users to be in direct contact with the gallery.

Created in 2008, artnet Auctions was the first online platform to buy and sell art. With faster turnaround and lower commissions, artnet Auctions is available around the clock at artnet.com/auctions. All aspects of the sale, including the processes of submitting a lot and bidding, take place in quick succession, in comparison to brick-and-mortar auction houses.

In February 2014, artnet launched a 24/7 global art newswire: artnet News. artnet News is a one-stop platform for the events, trends, developments, and people that shape the art market and global art industry, providing up-to-the-minute analysis and commentary, with the highest possible standards in cultural journalism.

An office was opened in London in November 2007, with the formation of artnet UK Ltd., the UK subsidiary of Artnet Worldwide Corporation. artnet AG and its subsidiaries employ a total of 116 people. The office in Paris was closed in 2012, and, since then, the French subsidiary has been inactive.

Company Background

artnet.com AG was incorporated under the laws of Germany in 1998. In 1999, Management took the Company public on the Neuer Markt of the Frankfurt Stock Exchange. In 2002, artnet.com AG changed its name to artnet AG. On October 4, 2002, artnet AG left the Neuer Markt, and was then listed in the General Standard of the Frankfurt Stock Exchange, a segment of the EU-regulated Geregelter Markt. Effective February 1, 2007, artnet AG is listed in the Prime Standard of the Frankfurt Stock Exchange, the segment with the highest transparency standards. Its principal holding is its wholly owned subsidiary, Artnet Worldwide Corporation, a New York corporation that was founded in 1989. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

Report of the Supervisory Board

The Supervisory Board held five meetings in 2014, all of which were unanimously attended. Three of the meetings were held via telephone on February 13, April 25, and May 29, following the exchange of relevant operating, technical, and financial information. Two were all-day, face-to-face meetings at the headquarters in Berlin on July 17, and at the offices in New York, on October 28. We exchanged several "unanimous consent" resolutions, following email and telephone discussions to adopt certain resolutions. In addition, there were numerous informal telephone conferences and frequent email exchanges on specific business issues. We closely monitored the activities, decisions, and performance of Jacob Pabst, CEO and sole member of the Management Board, who assumed those responsibilities in the summer of 2012. We also worked closely with Michael Probst, vice president of finance, who joined the Company in late 2012. At the meetings held in Berlin and New York, we dealt with strategic planning and budgets, and interviewed key management personnel concerning their general business outlook and projects.

The Supervisory Board received regular, detailed management reports throughout the entire year in written (email) form and oral reports from the Management Board on the Company's situation, the course of its business, and its strategy and important decisions. The quarterly and semi-annual reports, and the detailed results from the individual segments, were reviewed with the Management Board. In addition, the Management Board discussed issues of fundamental importance for corporate policy on an ongoing basis with the Supervisory Board. These included financial planning (cash management and expense management), technical (website) development, the progress of the artnet Auctions segment, the stabilization of the Gallery Network, the continued growth of the Price Database, including the analytical reporting tool, artnet Analytics, and the decision to reenter the e-publishing field with the launch of the world's first dedicated 24/7 art market newswire, artnet News. The Supervisory Board has not formed any committees.

artnet Auctions recorded the highest sales since the segment was created, and artnet's gross revenues were the highest in its history. But 2014 was an unusual year for artnet, and this record-breaking performance did not translate to significant improvement in bottom-line profitability. Despite record-breaking auction prices at traditional auction houses making headlines, and the beginning of economic recovery in the United States, some of our art dealer customers experienced difficult conditions (particularly the commercial galleries), and sought to cut expenses or discontinue operations; recovery in Europe lagged; and our clients continued to face the challenges of the new art business, produced by rapid technological changes in consumer buying habits. For many years, the revenue of Artnet Worldwide Corporation had been "lent upstream" to its Berlin parent company and other European operations. These loans were denominated in euros, and, as a result, when the dollar appreciated markedly against the euro, artnet was required to record a large financial transactions loss for accounting purposes—although there was no real loss and no effect on cash flow. Two other non-recurring items had an impact on performance: the decision to write-down the capital asset related to the artnet Analytics business segment (due to slower-than-anticipated growth, against which these expenditures could otherwise have been amortized) and an adjustment in "deferred taxes" to reflect the lower future value of these assets (due to future revenue projections, which gives value to these assets). Neither of these accounting determinations had an impact on cash flow or on the operating income.

The Supervisory Board's meetings focused on revenue and profit growth, the Company's liquidity, its major expenditure and human resources policies, international activities, and the future position of the individual segments. In particular, it focused on monthly reporting of the growth of the artnet News segment and related advertising revenue. We are pleased that artnet News is already considered the most important e-commerce publication in the art world, and we are confident that the upward trend in advertising revenue will continue. The existence of artnet News has resulted in substantially increased site-traffic, as was anticipated.

The Management Board has been diligent in expense and cash management. The Supervisory Board reviews monthly figures, which contain detailed breakouts relating to the source and application of funds. Cash on hand decreased slightly during the year, but expenses also declined as a percentage of revenues. Because of extraordinary items (all of which are described above), and the launch of artnet News (with the associated lag in advertising revenue), artnet experienced a financial loss in 2014. The Gallery Network segment has missed its revenue expectations. However, the Price Database segment grew in 2014, and the artnet Auctions segment achieved its highest revenue ever.

In 2014, artnet launched the first stages in a completely redesigned website, presenting a new and more attractive layout to our customers and a much more intuitive, user-friendly site.

The annual financial statements (HGB) and the consolidated financial statements (IFRS), prepared by the Management Board for artnet AG for the 2014 fiscal year, together with the management report and group management report, were audited by the firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, Germany. The Supervisory Board had determined that the auditors are independent. The auditors determined that both the annual financial statements (HGB), as well as the consolidated financial statements in accordance with the provisions of IFRS, present a true and fair view of the financial position and results of operations for the financial year, and issued an unrestricted audit opinion in each case. After completing their audit, the auditors participated in the Supervisory Board's meeting to discuss the financial statements and report on the results of their audit. The Supervisory Board concurred with the results of the audit.

The Supervisory Board reviewed the annual financial statements and consolidated financial statements of artnet AG and the associated management reports. Having completed its own in-depth review, no objections were raised by the Supervisory Board. The Supervisory Board approved the annual financial statements for artnet AG prepared by the Board of Directors in the version audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, Germany, with a resolution on March 18, 2015. The annual financial statements as of December 31, 2014, are thus adopted. The consolidated financial statements as of December 31, 2014, were also approved by the Supervisory Board by way of a resolution on April 22, 2015.

The Supervisory Board would like to thank the Management Board and all of the Company's employees for their work in the past year.

Naples, FL, USA, April 22, 2015

John D Hushon

John Hushon
Chairman of the Supervisory Board

Alex Katz, *Larry No. 1*, 1974
Oil on canvas
48 × 60 in. (121.92 × 152.4 cm.)
Signed and dated on verso
Sold for $237,600 (with premium) on December 23, 2014 on artnet Auctions

Vik Muniz, *Liz Taylor (from Pictures of Diamonds)*, 2004
Chromogenic print
60.5 × 43.25 in. (153.67 × 109.86 cm.)
Signed and dated on verso
Sold for $132,000 (with premium) on March 11, 2014 on artnet Auctions

Yayoi Kusama, *Stars*, 2012
Acrylic on canvas
57.25 × 57.25 in. (145.42 × 145.42 cm.)
Signed, titled, and dated on verso
Sold for $297,000 (with premium) on November 7, 2014 on artnet Auctions
Image courtesy of Yayoi Kusama Studio

Corporate Governance Report

artnet attaches great importance to corporate governance. artnet AG complies with the recommendations of the German Corporate Governance Code in the current version dated June 24, 2014, with the exception of the recommendations in No. 3.8 para. 3, No. 4.2.1 sent. 1, No. 5.1.2 para. 2 sent. 3, No. 5.3.1, No. 5.3.2, No. 5.3.3, No. 5.4.1 para. 2 (age limit for members of the Supervisory Board), and 7.1.2 sent. 4. The Management and Supervisory boards of artnet AG have adopted the declaration of conformity with the code detailed at the end of this report. It is published online at artnet.com/investor-relations.

1. Supervisory Board

According to the German Aktiengesetz, artnet AG has a dual-pronged management and control structure, comprising a sole member of the Management Board and the three-person Supervisory Board. Management and control functions are strictly split in the dual-management system. It is not legally permissible to simultaneously work for the Management Board and the Supervisory Board. The tasks and responsibilities of these two bodies are clearly legally defined in each case.

The Supervisory Board monitors and advises the Management Board in conducting the business. The Supervisory Board discusses the business growth and forecasts, as well as the strategy and its implementation at regular intervals. In addition, the Supervisory Board adopts the annual financial statements and appoints the members of the Management Board. The Supervisory Board has defined approval requirements by the Supervisory Board for transactions of fundamental importance. These include decisions or activities that have a fundamental impact on the Company's financial position or results of operations. The Management Board provides the Supervisory Board with regular, up-to-the-minute, comprehensive information on all of the issues of relevance to the Company with regard to forecasting, business growth, risks, and risk management.

The members of the Supervisory Board are independent in their decision-making, and are not subject to instructions or specifications by third parties. In addition, consulting, service, and certain other agreements between artnet and the members of its Supervisory Board have to be approved by the Supervisory Board. According to Item 5.4.1 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition, which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board, and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

At the meeting on February 20, 2015, and in view of Item 5.4.1 of the German Corporate Governance Code, the Supervisory Board resolved the following objectives for its composition:

- Consideration of the international activities of the enterprise: The Supervisory Board will pay attention to ensure that the Supervisory Board has a sufficient number of members with many years of international experience or many years' experience in the United States, the country in which the artnet Group performs most of its business activities.
- Avoidance of potential conflicts of interest: Potential conflicts of interest are avoided in the Supervisory Board's election proposals to the General Meeting. The Supervisory Board should include maximal one former member of the Management Board or managing director. The Supervisory Board believes that by an exclusion of former executives and managers, valuable expertise can get lost. In addition, when proposing candidates to the General Meeting, attention is paid to ensure that the respective candidate does not hold a management position or a position in the supervisory bodies of competitors, suppliers, lenders, or customers, in order to avoid conflicts of interest from the very outset. If any conflicts of interest result during the period of office of a member of the Supervisory Board, the affected member of the Supervisory Board must disclose this to the Supervisory Board, addressed to the chairman, and if there are material, non-temporary conflicts of interest, they must resign from their office.

- Consideration of the number of independent board members within section 5.4.2: There should be at least two independent board members on the Board.
- Definition of an age limit: The Supervisory Board considers a provision of this nature to be inappropriate, because general age limits would unduly limit the shareholders' discretionary powers when selecting members of the Supervisory Board.
- Consideration of diversity: The Supervisory Board's diversity is reflected in the various professional careers and activities of the members of the Supervisory Board. Female candidates must be given suitable consideration if they hold the same qualifications and are equally suitable. The Supervisory Board aims to have at least one female candidate proposed for election at the next Supervisory Board election in 2016.

The implementation status of the objectives detailed above regarding the composition of the Supervisory Board is as follows:

The objectives with regard to "Consideration of the international activities of the enterprise" and "Avoidance of potential conflicts of interest within section 5.4.2" have been put in place. The Supervisory Board is not pursuing the objective of the "Definition of an age limit"; as a result, together with the Management Board, it has declared that it will not follow this recommendation. The Supervisory Board believes that it has implemented the objective of "Consideration of diversity" to a great extent. The goal of proposing at least one woman for the Supervisory Board has already been implemented with the election of Mrs. Piroschka Dossi as a board member. The Supervisory Board will continue to maintain diversity.

2. Management Board

The Management Board is responsible for the Company's management. It must follow the Company's interests and undertake to increase the sustained enterprise value. It is responsible for the Company's strategic orientation in agreement with the Supervisory Board. The Management Board cooperates closely with the Supervisory Board.

The Management Board ensures that statutory provisions are upheld and that there is suitable risk management and risk control at the Company.

3. Directors' Dealings Transactions and Shareholdings of Managing Directors and Supervisory Board Members

During the past financial year, no purchases or sales of at least 5,000 EUR were executed by members of the Company's Management Board and Supervisory Board, or other executives who regularly have access to the Company's insider information and who are authorized to make material entrepreneurial decisions, and certain persons closely related to these persons.

On April 22, 2015, the Management Board and Supervisory Board held 1,576,605, or 28%, of the shares or financial instruments based thereupon.

Supervisory Board	
Galerie Neuendorf AG	1,523,551 shares
John Hushon	53,054 shares

4. Stock Option Plan

The Company's 2009 stock option plan comprises 560,000 ordinary shares with a theoretical value of 1.00 EUR per share. Subscription rights for up to 30,000 shares can be issued to the members of the Company's Management Board, subscription rights for up to 240,000 shares to members of the management of affiliated companies, subscription rights for up to 10,000 shares to employees of the Company, and subscription rights for up to 280,000 shares to employees of affiliated companies.

The price to be paid for one share of artnet when exercising the subscription rights corresponds to the average closing price of shares of the Company in XETRA trading on the regulated market (Prime Standard) of Deutsche Börse AG, or, if this price has not been determined, in on-floor trading during the 10 stock market days prior to the respective allocation date for the subscription rights. The exercise price corresponds to at least the proportionate amount of the subscribed shares of the share capital. The options may not be exercised for a period of two years. In order for the subscription rights to be exercised, the closing price of shares of artnet AG in XETRA trading on the regulated market (Prime

Standard) of the Deutsche Börse AG in the period between the subscription rights being issued and exercised is at least 10% higher than the exercise price on at least one stock market day during the term of the subscription rights. Options may only be exercised in groups of at least 1,000 options.

The authorization from July 15, 2009, within the stock option program from 2009 to issue subscription rights for up to 560,000 shares ended on July 14, 2014. No new stock option program has been laid out.

5. Relationship with Shareholders

artnet AG reports to its shareholders four times each financial year on business growth and on the Group companies' financial position and results of operations. The annual General Meeting is held during the first eight months of each financial year. The General Meeting resolves, among other things, on issues including the appropriation of profits, the ratification of the Management and Supervisory boards, and the election of the auditor. Changes to the articles of incorporation and capitalization activities are resolved exclusively by the General Meeting.

6. Declaration of Conformity with the German Corporate Governance Code

As a rule, artnet AG complies with the recommendations of the German Corporate Governance Code as published in the official section of the electronic federal gazette, in the version dated June 24, 2014. artnet AG will continue to comply with these recommendations in the future.

The following recommendations are not applied:

1. **Number 3.8, paragraph 3: "A similar deductible must be agreed upon in any D&O policy for the Supervisory Board."**

   artnet AG does not believe that the due care and diligence that the members of its Supervisory Board exercise in discharging their duties could be increased further by agreeing to a deductible. For this reason, artnet AG does not intend to change existing D&O insurance policies that do not provide for such a deductible.

2. **Number 4.2.1, sentence 1: "The Board of Directors shall be comprised of several people and have a chairman or spokesman."**

   Since its establishment, the Board of Directors of artnet AG has been comprised of one person. By contrast, the management of the subsidiary Artnet Worldwide Corporation in New York, which is largely responsible for operations within the Group, is comprised of several people. To date, the Company has not increased the size of its Board of Directors for cost reasons.

3. **Number 5.1.2, paragraph 2, sentence 3: "An age limit for members of the Board of Directors shall be specified."**

   artnet AG considers a provision of this nature to be inappropriate because general age limits would unduly limit the Supervisory Board's discretionary powers when selecting members of the Board of Directors.

4. **Number 5.3.1., Number 5.3.2., and Number 5.3.3.: In these sections, the Code recommends that the Supervisory Board form an Audit Committee and a Nomination Committee.**

   As the Supervisory Board of artnet AG is comprised of only three members, it does not make sense to form committees. The tasks envisioned for the Audit Committee and the Nomination Committee are undertaken jointly by the Supervisory Board as a whole.

5. **Number 5.4.1, paragraph 2: "The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account...an age limit to be specified for the members of the Supervisory Board...."**

   artnet AG considers a provision of this nature to be inappropriate because general age limits and requirements for diversity would unduly limit the shareholders' discretionary powers when selecting members of the Supervisory Board.

6. **Number 7.1.2, sentence 4: "The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period."**

   The Consolidated Financial Statements in 2015 will not be published within the 90-day period recommended in the German Corporate Governance Code. However, they will be published within the statutory period. The Company is evaluating the decision from the Paris Court of Appeal (see ad hoc-announcement of March 13, 2015) to determine the appropriate financial classification of this matter, which requires the postponement of publication of the consolidated financial statements. In the future, artnet AG intends to publish its consolidated financial statements within the recommended period.

Information on management practices applied

The Company uses all of the management practices prescribed by law. There are no other standards which apply company-wide, such as ethical standards, working, or social standards.

Berlin, March 27, 2015

Jacob Pabst	John Hushon
CEO	Chairman of the Supervisory Board
artnet AG	artnet AG

Responsibility Statement

To the best of knowledge, and in accordance with the applicable reporting principles, the following consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the artnet Group. The Group Management Report includes a fair review of the development and performance of the business, as well as the position of the Group, along with a description of the principal opportunities and risks attributed to the expected Group development.

Berlin, April 22, 2015

Jacob Pabst
CEO, artnet AG

Group Management Report 2014

1. General Conditions of the Group

Business Model and artnet Group Organization

artnet AG is a holding company listed on the “Regulierter Markt” in the Prime Standard segment of the Frankfurt Stock Exchange. artnet AG’s principal holding is its wholly-owned subsidiary, Artnet Worldwide Corporation, which was formed in 1989 in New York. artnet AG (“artnet” or the “Company”) and Artnet Worldwide Corporation (“Artnet Corp.,” collectively the “artnet Group” or the “Group”) operate under the trade name “artnet.”

Artnet Corp. has two wholly owned subsidiaries: artnet UK Ltd. and artnet France sarl. artnet UK Ltd. provides sales and client support in the United Kingdom. As part of our restructuring, the Paris office was closed in June 2012.

With a 2014 monthly average of 1.5 million unique visitors to its domains, artnet.com, artnet.com/auctions, artnet.de, artnet.fr, and news.artnet.com, artnet offers the world’s most comprehensive art market overview. The provision of timely information about artwork values, artists, galleries, price developments, exhibitions, news, and reviews enables collectors and art professionals to better navigate the art market.

As of December 31, 2014, the artnet Gallery Network represented approximately 1,400 of the world’s most prestigious art galleries from 60 countries. Members of the Gallery Network are indexed by specialty and location, with 170,000 artworks by 35,000 artists featured on the platform. In addition to all forms of Contemporary, Modern, and Fine Art, the Gallery Network also offers Decorative Art and Design objects from the 1st century BC to the present. artnet Auction House Partnerships are the ideal way for an auction house to gain more international exposure for their auctions and drive a high volume of potential buyers directly to their own sites. With Auction House Partnerships, auction houses have the flexibility to post complete or partial sales on artnet, with the option of linking every lot on artnet back to the same lot in their own online catalogue. All upcoming sales are listed in our new Events page, and rank high on artnet and in Google search results. Auction House Partnerships provide reporting and direct traffic from artnet to the auction house site.

The artnet Price Database, which is comprised of the artnet Price Database Fine Art and Design and the artnet Price Database Decorative Art, is an online database with more than 9 million color-illustrated auction results from more than 1,600 leading international auction houses. This product gives price transparency to an otherwise secretive market. Subscribers to the Price Database receive access to upcoming auction information, recent auction results, and auction records dating back to 1985, as well as the most up-to-date and impartial appraisal value for artworks they would like to buy or sell. Subscribers to the Price Database include appraisers, dealers, auctioneers, financiers, and private and government institutions (including the IRS and the FBI). Most importantly, it provides an illustrated “blue book” for private collectors with which to appraise the works they own, and measure opportunities at upcoming auctions or on the dealer market. Dealers and auctioneers also use comparable sales from the Price Database to support the valuation and sale of important works of art.

artnet Market Alerts, a derivative of the Price Database, informs subscribers via email when artworks by their favorite artists come up at auction, are featured in upcoming events, or are offered in the Gallery Network or on artnet Auctions.

artnet Analytics provides and visualizes art market information, and allows users to monitor the performance of artists and art movements, customer-specified groups of artworks, and art categories, with the option to compare market performance against each other or financial indices, such as the Dow Jones or the S&P 500, or against other financial investments.

With artnet Auctions, artnet has become a business-to-customer transaction platform that also acts as an integrated information resource. The main advantages for buyers and sellers on artnet Auctions are the attractive prices and fast turnaround, which can be finalized in a few weeks, compared to the six months or a year required by brick-and-mortar art auctioneers. artnet Auctions routinely offers works by blue-chip Modern and Contemporary artists that sell in the five- and six-figure range.

artnet Monographs is an online art library developed in close collaboration with artists, estates, foundations, and art galleries. This growing resource of Modern and Contemporary artist monographs features comprehensive artwork selections and 148 biographies. artnet Monographs can be viewed free of charge on the artnet website.

artnet News was launched in February 2014, and is the world's first dedicated 24-hour international art market newswire. This platforms informs, engages, and connects members of the art community to the events, trends, developments, and people shaping the market and global art industry.

Objectives and Strategies

artnet will remain faithful to its founding mission to increase transparency in the art market. Our goal is to maintain our leadership position in the increasingly competitive online art market, where we have operated for more than 25 years. artnet's Management team is convinced that constant product improvements and innovations, such as the news platform, artnet News, which was launched in February 2014, will continue to strengthen our brand.

Control System

For the value-based management of the Group, as well as the management of the individual segments, a standardized controlling and reporting system has been put into place. For the individual segments, the earnings before interest and taxes (EBIT) were compared to budget and numbers from previous years and determined as key financial data. Regarding the financial position, the Group focuses on the availability of liquid assets.

Furthermore, leading economic indicators that may impact the business are monitored and evaluated. For the Gallery Network and the Price Database, these indicators include the number of contract terminations and renewals. For artnet Auctions, the number of lots available, the number of lots sold, and average prices are the measured indicators. Another essential aspect of the management control system is the monitoring of ongoing web traffic, in which important areas of traffic are evaluated and analyzed. artnet monitors site visits on a daily, weekly, and monthly basis to obtain information about the development of each individual segment. This analysis allows us to respond effectively to changes.

Research and Development

The artnet website forms the foundation of the Group's products. It is of utmost importance to keep pace with the latest technologies, and to develop new products that increase benefits for customers. In this regard, our developers use software based on Microsoft technology, which gives them the flexibility required to adapt currently running applications to our customers' changing needs. In 2014, development activities were primarily related to the redesign of the website, as well as updates to the backend. During the reporting period, external development costs for the redesign, in the amount of 134,000 EUR, were capitalized as intangible assets.

2. Economic Report

2.1 Macroeconomic and Industry Conditions

Global Economic Situation

The global economic expansion has improved over the course of 2014. During the first half of the year, the global gross domestic product grew only slightly, but noticeably increased in the second half of the year, similar to the global trade. The driving force of this development remained the United Kingdom and, in particular, the United States, where the economy rebounded stronger than expected. Meanwhile, the economic growth of the eurozone underperformed due to structural differences, as well as the military conflict in Eastern Ukraine and the resulting sanctions against Russia.

Overall, the German economy on annual average has proven to be stable. The price-adjusted gross domestic product (GDP) was higher than in the previous year, and above the average of the last 10 years. The German economy asserted itself in a difficult environment, and benefited from strong domestic demand.

The global economic growth will increase gradually during the coming year, which will benefit industrial countries, in particular.

In addition, expansive monetary policy and low oil prices will stimulate economic growth. Emerging markets will also benefit from strong demand in industrialized countries. But the global economy continues to be susceptible to interference from geopolitical developments or turbulence in financial markets.

Art Market Development

2014 marks the third consecutive year that increases have been seen in the value of Fine Art sold at auction. As of December 31, 2014, the market had grown 12.1% in comparison to 2013, and 156.4% since the contraction of the market in 2009. Throughout the year, Fine Art sales brought in roughly 16.1 billion USD—just shy of the post-recession peak reached in 2011 (16.3 billion USD). The Fine Art market in both the United States and United Kingdom greatly contributed to global performance, as they increased by 20.1% and 35.3% from 2013. This is a marked difference from 2013, when the United Kingdom experienced a sluggish performance of -4.0%. Meanwhile, the market in China (including Hong Kong) acted conversely in 2014, experiencing a 4.8% decrease in market value.

With Fine Art sales of 277 million USD in 2014, Germany was fifth worldwide in terms of auction value. Compared to 2013, the German auction industry experienced a 4.1% increase in terms of value, and a 2.0% decrease in terms of volume sold.

2.2 Significant Events in the 2014 Fiscal Year

With artnet News, the Management team created a unique online art news service to strengthen artnet’s presence in the art market, and to increase site visits and demand for its products. Within a few months, artnet News became the world’s most widely read art news site. As announced in the 2013 annual report, operating expenses have increased significantly due to artnet News, and due to higher sales and marketing expenses. Increased awareness of the website and generated web traffic should increase revenue for the Advertising segment in the future.

The first phase of the redesign was completed in April. We now offer our customers an attractive, modern site with more intuitive navigation. Throughout the year, the redesign was extended to different pages on the site, making the strength and diversity of our services more visible to users. In additional phases of the redesign, the product pages were overhauled and the new Events page was created.

Since the launch of the product artnet Analytics, revenue expectations have not been met. As a result, the capitalized development costs were subjected to an impairment test, which led to a full write-off of the intangible asset in the amount of 537,000 EUR. The Management Board continues to believe that this unique analytical tool will establish itself in the market in the mid- to long-term. The product will be distributed through the artnet Market Watch page.

For the last three fiscal years, the Group did not meet its projected income. This led to a revaluation of deferred tax items. The resulting non-cash tax expense of 842,000 EUR further impacted the earnings in 2014.

In March 2015, the result for the 2014 financial year was affected retroactively due to a decision made by the Paris Court of Appeal. In the second instance, the court ordered artnet AG, artnet France sarl, and Artnet Worldwide Corporation to make a payment of 764,000 EUR. The court considered the copyright infringement of a photographer as proven. For this judgment and a pending legal proceeding on the same matter in Germany, an accrual in the amount of 950,000 EUR has been formed in consideration of the procedural costs. This judgment was unexpected for artnet, since the court had a contrary opinion in the first instance. artnet will review this decision by the French Court of Cassation, hoping for an annulment of the judgment due to procedural irregularity, and a reference of the process to another court for a new trial. When and if the process will lead to a liquidity outflow cannot be predicted at this time.

2.3 Result of Operations, Financial Position, and Net Assets

Result of Operations

In the 2014 financial year, operative earnings of the Group were mainly influenced by increased revenue from the artnet Price Database, artnet Advertising, and artnet Auctions segments, and the cost of sales declined slightly. As projected, there were higher expenses resulting from the introduction of the news platform, artnet News. Targeted marketing campaigns and collaborations further increased sales and marketing expenses. General and administrative expenses decreased due to continuous cost reductions compared to the previous year. As planned, costs of product development have increased compared to the previous year. This increase mainly resulted from the launch of artnet News, ongoing optimization of the product pages, and product development. During the previous year, and in 2014, external development costs for the redesign of the website have been capitalized. In order to maintain the Company's position in the online art market, the Management team considers ongoing high development costs necessary. The Group result was negatively affected by the necessary adjustment of deferred tax assets. These have been adjusted due to the revaluation of Artnet Worldwide Corporation's expected usable tax loss carryforwards. In addition, the result was affected by an impairment of capitalized development costs for the product artnet Analytics. Since its launch, the realized revenue of this product has fallen short of expectations. Therefore, the Board decided to fully depreciate the capitalized development costs. The introduction of this unique analytical tool for the art market was more time consuming than predicted. We still see demand for this product, and sales activities for the product will continue. Since the second half of the year, the euro-to-US-dollar exchange rate has dropped. As a result, the Group gained foreign currency losses on intercompany receivables and Artnet Worldwide Corporation's cash balances in euros. As a result of the decision of the Paris Court of Appeal that the copyright infringement of a photographer was proven in the second instance, as well as for a pending legal proceeding on the same matter in Germany, an accrual was formed in the amount of 950,000 EUR. In the first instance, the court represented a contrary opinion and ruled in favor of artnet. The accrual had a negative impact on the result.

Revenue Growth

Compared to the previous year, revenue increased by 7% in 2014, to 13,907,000 EUR (18,456,000 USD). The forecast of a significant revenue growth, to between 14.0 million EUR and 15.0 million EUR (19.5 million USD to 20.5 million USD), was missed. New sales and marketing initiatives, as well as product improvements implemented over the course of the year, have already increased sales, and will have a positive impact on future revenue.

artnet Auctions revenue reached 2,374,000 EUR (3,151,000 USD), compared to the previous year (2,099,000 EUR/2,787,000 USD). Thus, a growth of 13% was achieved. The forecast for a double-digit sales growth was observed, although the nominal sales target was slightly missed. Due to the commission model, which was introduced in the previous year, the number of transactions decreased by 15%, as expected. The average price of lots sold increased, from 6,954 USD in 2013 to 9,578 USD during the year. The average buyer and seller premiums of 22% remained nearly constant compared to the previous year (2013: 23%). During 2014, the first phase of the redesign was implemented for the artnet Auctions site, with a focus on improving the user experience for buyers and sellers. Improvements to the site are continually being implemented, including an overhaul of the post-auction checkout process.

For the Gallery Network, revenue decreased in the reporting year compared to the previous year by 6%, from 4,748,000 EUR (6,303,000 USD) to 4,477,000 EUR (5,942,000 USD). This development is due to a decline in memberships. Improvements to customer service and the newly designed site led to reduced numbers of cancelations, but the goal of gaining new members fell behind expectations. Therefore, in 2014, the forecast of a slight sales growth was not met. Intensified sales initiatives and partnerships with major art fairs, such as TEFAF Maastricht and Frieze New York, will lead to new distribution channels in the coming fiscal year, and will introduce potential clients to the benefits of a gallery membership. Auction House Partnerships, tailored to the needs of auction houses, has increasingly established itself in the market, and showed a slight increase in sales. The Company has seen an increasing interest in this product from auction houses.

Revenue for the Price Database increased compared to the previous year by 534,000 EUR (706,000 USD), to 5,628,000 EUR (7,469,000 USD). With an increase of 10%, the forecast of a slight growth in sales was exceeded. In addition to the acquisition of new subscribers, existing subscribers continue to be committed to the Company due to the high quality, scope, and timeliness of the database. We also realized an average price increase per search.

Revenue for artnet Advertising increased by 39%, or 400,000 EUR (530,000 USD), to 1,427,000 EUR (1,894,000 USD). More attractive advertising placements, and the increased number of visitors, especially in the second half of the year, coming from artnet News, had a positive effect on the generated revenue. The prediction of strong sales growth in this segment was realized. The Management is satisfied with this development, even though larger growth was expected. Optimized advertising packages and the traffic-generating news platform, artnet News, will have a positive effect on revenue in 2015.

Changes in Costs and Results

Gross profit on sales increased by 1,109,000 EUR (1,469,000 USD), to 8,335,000 EUR (11,062,000 USD), or 15%. The gross profit was influenced by the increase in revenue, while the cost of sales decreased slightly (-3%). The decrease in the cost of sales was due to savings in personnel costs. Due to investments in tangible and intangible assets, depreciation increased slightly. The launch of artnet News led to an increase in sales and marketing expenses compared to last year by 812,000 EUR (1,077,000 USD). Higher personnel expenses in the amount of 307,000 EUR (408,000 USD), due to the reinforcement of the sales team and additional marketing campaigns and collaborations (235,000 EUR or 311,000 USD), led to higher sales and marketing expenses, totaling 3,188,000 EUR (4,231,000 USD). Compared to 1,834,000 EUR (2,435,000 USD) in the previous year, sales and marketing expenses increased by 1,354,000 EUR (1,796,000 USD).

Expenses for product development increased in 2014 by 417,000 EUR (552,000 USD), to 2,474,000 EUR (3,284,000 USD). Primarily, this increase is due to the launch of artnet News and the ongoing development of the product pages on our site that were implemented during the year, and which will be completed shortly. General and administrative expenses decreased by 3% compared to the previous year due to lower personnel costs and lower expenses for impairment of receivables, to 3,206,000 EUR (4,255,000 USD). In particular, the net income of the Group decreased by 537,000 EUR (653,000 USD) due to the one-time effect of the impairment of capitalized development costs for artnet Analytics, and due to the revaluation of deferred taxes for tax loss carryforwards for Artnet Worldwide Corporation, by 842,000 EUR (1,023,000 USD). In addition, the Group's earnings were influenced by the formation of accruals in the amount of 950,000 EUR (1,261,000 USD) for damage claims filed by a photographer, which had been adjudicated in second instance by the Paris Court of Appeal. The accruals include the costs for a pending legal proceeding on the same matter in Germany. Foreign currency losses on intercompany receivables and on Artnet Worldwide Corporation's cash balances in euros resulting in 300,000 EUR (408,000 USD) had a negative impact on the Group's earnings, as well. The net income of the Group was positively affected by other non-cash transactions, which totaled 217,000 EUR (288,000 USD). Compared to the profit in 2013 of 40,000 EUR (54,000 USD), in 2014, there was a significant loss of 3,047,000 EUR (3,891,000 USD), including the effect of 2,412,000 EUR (3,057,000 USD) due to non-cash transactions.

Development of Segments

The operating result of the Group in the 2014 fiscal year was -588,000 EUR (-780,000 USD). While the Gallery Network and Price Database segments closed the year with a positive operating result, the operating result of the artnet Advertising and artnet Auctions segments were negative. In 2014, the operating result of the Gallery Network was 269,000 EUR (357,000 USD) and was lower compared to the previous year by 693,000 EUR (921,000 USD), mainly due to decreased revenue and higher operating expenses. Due to revenue growth, the Price Database segment increased its operating profit, to 1,065,000 EUR (1,412,000 USD). Even though revenue for artnet Advertising increased compared to 2013, the operating result turned from a slight profit in the previous year into a negative (-10,000 EUR/-13,000 USD) due to higher costs in sales and marketing. While the revenue from artnet Auctions declined in comparison to 2013, the operating loss increased by 268,000 EUR (355,000 USD), to -1,912,000 EUR (-2,537,000 USD) due to higher expenses for sales, marketing, and product development.

Group Profit or Loss

After a balanced consolidated result of 41,000 EUR (54,000 USD) in the previous year, a significant loss of 3,047,000 EUR (3,891,000 USD) was generated in 2014. Thus, the predicted increase in earnings, to 600,000 EUR (800,000 USD), was clearly missed. On the one hand, the Group's result was significantly affected by non-cash effects in the amount of 2,412,000 EUR (3,057,000 USD), on the other hand, revenue was lower than expected. The Board is not satisfied with the development of the Group's result.

Currency Conversion

Currency conversion in the consolidated statement of comprehensive income is based on the average exchange rate for the period from January 1 to December 31, 2014. In 2014, the average exchange rate was nearly constant, at 0.754 USD/EUR, compared to 0.753 USD/EUR in the 2013 fiscal year. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of December 31, 2014, the rate was 0.823 USD/EUR, compared to 0.726 USD/EUR on December 31, 2013. This corresponds to an appreciation of 13% in euros. The exchange rate at the end of the year was used for translating the non-scheduled depreciation of the intangible asset, artnet Analytics, and the valuation adjustment on deferred tax assets.

artnet is subject to exchange rate fluctuations because it invoices in euros, US dollars, and British pounds, but conducts most of its business in the United States. The Group works to reduce its exposure to differences in the exchange rates by billing European customers in euros and British customers in British pounds, and by paying vendors in the same currency with these cash funds.

Financial Position

In line with the developments in earnings, cash flow development was negative in 2014. In the previous year, the artnet Group's cash flow from operating activities was positive (827,000 EUR/1,101,000 USD), as compared to a slightly negative cash flow in 2014, at -52,000 EUR (-69,000 USD). Due to non-cash relevant effects from depreciation (945,000 EUR), deferred tax expenses (842,000 EUR), and provisions to accruals for litigation risks (950,000 EUR), the decrease in the operating cash flow was lower than the decline in earnings. Increased sales had a positive impact on the operating cash flow, while higher sales and marketing expenses, additional expenses for artnet News, and increased costs of product development negatively affected the operating cash flow.

In the 2014 fiscal year, the cash flow for investment activities was -161,000 EUR (-213,000 USD), as compared to -304,000 EUR (-403,000 USD) in the previous year. Investments in intangible assets in the amount of 134,000 EUR (178,000 USD) relate to external development costs associated with the first phase of the redesign of the website, which was completed in the first quarter of the year. Investments in fixed assets for scheduled replacements of computer hardware amounted to 27,000 EUR (36,000 USD), and, in the previous year, were only necessary to a small extent (12,000 EUR/16,000 USD).

During the 2014 fiscal year, the cash flow for financing activities was -228,000 EUR (-303,000 USD), compared to 251,000 EUR (355,000 USD) in the previous year, and mainly included redemptions for the liabilities from finance lease agreements for office equipment and hardware and software. Cash flow from financing activities in the previous year was marked by the shareholder loan granted in March 2013 in the amount of 500,000 EUR, which had been taken for reasons of prudence to ensure financial stability.

Contrary to the budgeted slight increase in cash and cash equivalents, cash and cash equivalents decreased, from 1,529,000 EUR (2,105,000 USD) as of December 31, 2013, to 1,181,000 EUR (1,436,000 USD). The cash flow of the Group was mainly affected by the costs incurred from the implementation of artnet News. The Board is convinced that advertising revenues generated by the news portal will justify these expenses. Since the beginning of the third quarter, an increase in advertising revenue has been visible. This trend continues in the new fiscal year.

The cash investment policy for the Group is conservative and based on short-term investments. This policy allows all cash to be liquid and available. As of December 31, 2014, the liquidity per share totaled 0.21 EUR (0.26 USD) based on an average of 5,552,986 shares in circulation, compared to 0.28 EUR (0.38 USD) as of December 31, 2013.

Financial Status

Consolidated total assets amounted to 4,627,000 EUR (5,625,000 USD) on December 31, 2014, compared to 6,039,000 EUR (8,315,000 USD) as of December 31, 2013, representing a decrease of 23% in euros (32% in US dollars). This development is mainly the result of a decrease in cash and cash equivalents of the Group, non-scheduled depreciation of capitalized development costs for artnet Analytics, and the decrease of deferred tax assets.

Accounts receivable increased at the reporting date by 192,000 EUR (132,000 USD), to 823,000 EUR (1,000,000 USD), with increased revenues. Overall, the age structure of the accounts receivable was rejuvenated due to optimized bad debts management and dunning processes.

Other current assets remained stable as of December 31, 2014, at 291,000 EUR (354,000 USD).

Fixed assets, which are comprised of intangible and tangible assets, decreased by 633,000 EUR (1,078,000 USD), to 1,285,000 EUR (1,562,000 USD). The Group's non-current assets are primarily held in US dollars. This decrease was due to non-scheduled depreciation of capitalized development costs for artnet Analytics amounting to 537,000 EUR (653,000 USD), which was partly offset by the capitalization of development costs for the redesign of the website in the amount of 134,000 EUR (178,000 USD), as well as necessary hardware and software renewals in the amount of 27,000 EUR (36,000 USD).

The deferred tax assets, in particular, for anticipated future tax benefits coming from tax losses carried forward for Artnet Worldwide Corporation, have been adjusted by 658,000 EUR (1,023,000 USD), to 728,000 EUR (884,000 USD). This revaluation of deferred tax items was necessary due to differences between forecasts and final results in the past three financial years and existing planning uncertainties.

Total current liabilities and provisions increased by 1,445,000 EUR as of December 31, 2013, from 2,850,000 EUR (3,923,000 USD) to 4,295,000 EUR (by 1,298,000 USD, to 5,221,000 USD). This increase was due largely to the required recording of costs for potential indemnity payments arising from a copyright infringement, made by the Paris Court of Appeal in Paris in the second instance to a French photographer, and a case for the same proceeding in Germany. In addition, loan restatement of the loan granted by the main shareholder on March 31, 2013, was required on December 31, 2014. Contrary to the original agreement, which provided for the maturity of the loan on May 1, 2015, both parties agreed to repay the loan amount in 20 equal monthly installments of 25,000 EUR, under the condition of cash and bank holdings of at least 1.5 million USD at the end of each month. Based on this agreement, only a part of the loan, in the amount of 303,000 EUR (369,000 USD), is shown under current liabilities. The sum of accounts payable and deferred liabilities increased slightly due to exchange rates in euros, while they decreased slightly in US dollars, the main currency of the Group. Liabilities of finance leases decreased due to scheduled amortization.

Long-term liabilities decreased in the reporting year by 420,000 EUR (668,000 USD), to 555,000 EUR (675,000 USD) as of December 31, 2014. This decrease is partially due to the previously mentioned new repayment conditions of the shareholder loan. In addition, the liabilities of finance leases decreased significantly due to scheduled repayments. The delimitation of the rent-free period of the lease in 2012 increased slightly as planned.

The artnet Group's consolidated equity decreased significantly as of December 31, 2014, compared to 2,214,000 EUR (3,048,000 USD) as of December 31, 2013, due to the net loss for the year. A negative consolidated Group equity of 223,000 EUR (272,000 USD) was reported on December 31, 2014. It should be noted, however, that the short-term liabilities with the deferred revenue contain a substantial amount of 1,547,000 EUR (1,881,000 USD), which is only used to recognize the revenues in the appropriate period, and will not lead to cash outflow from the Group. The shareholder loan is only to be repaid in case of a common minimum set of liquidity. In addition, we will continue to take legal action against the indemnity payment by the French court in March 2015, in the amount of 764,000 EUR, and we do not expect a cash outflow in connection to this in the 2015 fiscal year. Despite a negative equity, we expect to be able to ensure liquidity in the 2015 fiscal year.

The artnet Price Database constitutes an intangible asset that has been developed by gathering auction information, with results dating back to 1985. This valuable asset to the Group has not been attributed full earnings recognition on the balance sheet due to accounting rules. Balance sheet assets would be substantially increased if this recognition were allowed by law.

Non-financial Performance Indicators

Employees

As of December 31, 2014, there were 118 full-time employees in the Group, versus 106 in the previous year. Additionally, the artnet Group had three part-time employees in 2014, compared to seven in the previous year. In sales and other departments, the Group had 12 freelancers, compared to six in 2013. The main reason for the increase in employees was the launch of the news platform, artnet News, with 15 employees.

Personnel expenses totaled 9,081,000 EUR (12,052,000 USD), compared to 8,127,000 EUR (10,790,000 USD) in the previous year. While personnel expenses in the costs of sales were reduced, personnel expenses in sales and marketing rose in general due to new hires. In product development, expenses increased due to higher consulting expenses in connection with the redesign, artnet News, and ongoing improvements.

Other Non-financial Performance Indicators

The quality of our services and the associated satisfaction of Gallery Network and Price Database customers are of the utmost importance to our business. Criticism and reasons for contract cancelations are evaluated for quality assurance purposes through customer surveys. This allows us to respond to future cancelations in a timely and targeted manner.

For the Gallery Network, monitoring and controlling indicators include the number of contract cancelations and the number of new contracts. In 2014, cancelations were reduced by approximately 9%; new contracts decreased by 29% compared to 2013.

For our Price Database subscriptions, the volume of searches sold is monitored. Compared to 2013, volume increased by 2%, reflecting a stabilization, resulting in a 10% increase in revenue in this segment due to price increases in the previous years. Also, the revenue per user is monitored, which, for the Price Database Fine Art and Design, increased by 16%, and, for the Price Database Decorative Art, increased by 2%.

For the monitoring and controlling of artnet Auctions, the number of sold lots and their average prices are important indicators. Compared to 2013, due to a focus on higher-value lots, the number of lots sold declined by 15%, while the average price per lot sold increased by 38%. As a result, the revenue of the artnet Auctions segment increased in the year-over-year comparison by 13%. Another important performance indicator is the number of new registrants, which increased by 21% compared to 2013.

The ongoing monitoring of web traffic is of utmost importance to artnet as an online service provider. Different figures for the existing domains are recorded and evaluated daily. Since the launch of artnet News, the number of unique visitors increased by 127%, while revenue-generating traffic remained stable.

3. Disclosure of Takeover Provisions

Composition of Capital Stock

artnet AG's fully paid-in capital stock, as of December 31, 2014, totaled an unchanged 5,631,067 EUR, and comprises 5,631,067 no-par value bearer shares based on a notional common stock of 1.00 EUR per share. The Company's 5,631,067 registered shares were traded on the stock market for the first time on September 26, 2011.

Voting Limits or Assignment Limits

There are no restrictions on voting rights or transfer of these shares.

Direct or Indirect Shareholdings which Exceed 10% of Voting Rights

Direct or indirect shareholdings which exceed 10% of voting rights for artnet AG are held by Galerie Neuendorf AG, Berlin, at 27.06%, as of December 31, 2014.

Preferred Shares

There are no preferred shares.

Voting Rights Monitoring in the Event of Employee Holdings

Any employee with holdings in artnet AG is obliged to exercise his or her control rights directly.

Appointment and Dismissal of Members of the Executive Board, Amendments to the Articles of Incorporation

Members of the Supervisory Board are appointed and dismissed according to §§ 84, 85 of the German Stock Corporation Act (AktG). The amendments to the Articles of Incorporation were made in accordance with §§ 133, 179 AktG.

Authorization of the Executive Board to Issue and Repurchase Shares

The Shareholder's Meeting of artnet AG on July 16, 2014, authorized the Management Board, with the approval of the Supervisory Board, to increase the subscribed capital of 2,800,000 new bearer shares by up to 2,800,000 EUR in exchange for cash contributions, or contributions in kind (Authorized Capital 2014) until July 15, 2019.

No shares were issued from the authorized capital so far.

The new shares shall carry dividend rights from the beginning of the fiscal year in which they are issued. The conditional capital increase is only performed to the extent that subscription rights are exercised.

The Shareholders' Meeting of artnet AG on July 14, 2010, authorized the Management Board, with the approval of the Supervisory Board, to acquire its own shares of up to a maximum of 10% of the current capital stock by July 13, 2015. The acquired shares may not account for more than 10% of the share capital together with the other shares held by the Company, or due to the Company, according to §§ 71a. et seq. of the German Stock Corporation Act (AktG). This time limit only applies to the acquisition of the shares and not holding them.

4. Declaration of Conformity with the German Corporate Governance Code of § 161 AktG

The current Declaration of Compliance with the German Corporate Governance Code according to § 161 of the German Stock Corporation Act (AktG) can be viewed online at artnet.com/investor-relations/declaration-of-compliance.

5. Remuneration Report

This remuneration report is based on the recommendations of the German Corporate Governance Code. It summarizes the principles that apply to defining the remuneration for artnet AG's Management Board, and explains the amount and structure of the Management Board's remuneration. In addition, it describes the principles behind, and the amount of, the remuneration of the Supervisory Board. Furthermore, the remuneration report includes information that also forms part of the notes to the consolidated financial statements according to § 314 of the German Commercial Code (HGB), or the Group Management according to § 315 of the German Commercial Code (HGB).

5.1 Remuneration of the Management Board

Granted Remuneration, CEO	Jacob Pabst			
EUR	2013	2014		
	Granted	Granted	(Min)	(Max)
Fixed Basic Remuneration	225,960	235,469	235,469	235,469
Remuneration in Kind	5,400	8,859	8,859	8,859
Total	**231,360**	**244,327**	**244,327**	**244,327**
Short-Term Remuneration	–	–	–	235,469
Benefits	–	–	–	–
Total Remuneration	**231,360**	**244,327**	**244,327**	**479,796**

Paid, CEO	Jacob Pabst	
EUR	2013	2014
Fixed Basic Remuneration	225,960	235,469
Remuneration in Kind	5,400	8,859
Total	**231,360**	**244,327**
Short-Term Remuneration	–	–
Benefits	–	–
Total Remuneration	**231,360**	**244,327**

The Supervisory Board is responsible for setting the remuneration of the Management Board. Setting remuneration for artnet AG's Management Board is based on the Company's size and activities, its economic and financial position, and the amount and structure of remuneration for the Management Board at comparable companies. Remuneration must be set such that it is competitive in the international market for highly qualified executives, and that it offers an incentive for additional work.

Jacob Pabst receives no remuneration from artnet AG. The payment of his duties as a board member of artnet AG is compensated with the remuneration for his role as CEO of Artnet Worldwide Corporation. Both the management contract with artnet AG and the employment contract with Artnet Worldwide Corporation were extended on July 1, 2014, for two years, until July 1, 2016.

Remuneration for Jacob Pabst as a board member, comprised of fixed basic remuneration and a yearly variable compensation component (short-term performance-related incentive (STI)), is described below:

Fixed basic remuneration: The fixed remuneration is paid out as a monthly salary. In the first year of the contract, a basic remuneration of 27,083 USD per month, or 325,000 USD per year, is paid. In the second year of the contract, the basic remuneration increases to 29,167 USD per month, or 350,000 USD per year. In addition, the Company continues to pay health insurance in the amount of 450 EUR per month, and the costs of the Company's group medical plan. The Company has taken out accident insurance with coverage for invalidity (300,000 EUR) and death (150,000 EUR). In the 2014 fiscal year, the fixed cash remuneration of the Management Board member, Jacob Pabst, totaled 244,327 EUR (324,257 USD).

Variable compensation component: In addition to the fixed basic remuneration, the Management Board receives a variable compensation component. The amount of this component is at the discretion of the Supervisory Board. The basis for calculation of this component is the consolidated financial statement of the year, in which the variable compensation component is paid. The variable remuneration component should not exceed the fixed basic remuneration. The variable remuneration component is dependent on one-third of each of the following objectives:

- 1/3 of the improvement of the budgeted net income and cash flow
- 1/3 of the share price performance of artnet AG
- 1/3 of the discretion of the Supervisory Board, based, in particular, on long-term goals, such as the introduction of new products or new business areas, expected profitability in the future, and significant transactions

The variable remuneration component will be, as far as granted, paid in 10 equal monthly installments, starting in the month in which it was granted.

In 2014, no variable remuneration has been granted to the Board.

5.2 Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is defined by the General Meeting based on a proposal by the Management Board and the Supervisory Board. It is regulated in the articles of incorporation.

Remuneration of the Supervisory Board is based on the Company's size, the tasks and responsibilities of the members of the Supervisory Board, and the Company's economic situation and performance.

The members of the Supervisory Board receive a fixed remuneration every year. The chairman of the Supervisory Board receives 50,000 EUR, the deputy chairman receives 37,500 EUR, and the third member of the Supervisory Board receives 25,000 EUR.

6. Risk and Opportunity Report

6.1 Risk Report

Risk Management

The artnet Group has introduced a risk management system to identify and constantly monitor the Group's operating and financial risks. This system, which aims to alleviate the impact of any unforeseen events, is largely comprised of the following four components:

- Finance, which monitors the actual results of business activities, provides forecast/actual comparisons as part of monthly reporting, and provides comparisons with the previous year
- IT infrastructure, which ensures and monitors the 24/7 availability and functionality of the website
- Project management, which monitors the development and progress of the individual technology projects
- Ongoing traffic monitoring, which evaluates and tracks the key areas of web traffic

The risk management system ensures that critical information is passed on to the Group's Management Board directly and in good time.

Early Warning System Ensures Identification of Potential Risks

As a rule, in order to measure, monitor, and control its business growth and risks, the artnet Group uses a management and control system, which is mostly based on financial accounting data. The risk inventory, which is developed based on this document, lists the key existing threats and allocates levels of responsibility within the artnet Group. Existing risk potential is observed on an ongoing basis; suitable activities to limit risks are put in place whenever possible. The risk management system includes regular internal reporting on the course of business, current market developments, and customer relationships, as well as a Group-wide budget process, which deals with operating risks and changes in the business environment. This process is supported by regular analysis of the market and competition.

Dealing with Major Potential Risks

Operating Management is directly responsible for the early recognition, control, and communication of risks. As a result, the artnet Group can react to potential risks in a comprehensive manner. Risks policy is geared to generate sustained growth and secure enterprise value over the long term, and to avoid any reasonable risks.

Accounting-Related Internal Control System with Regard to the Group Accounting Process

The Management Board has set up an internal control system for the wide range of organizational, technical, and economic workflows in the Group. A key competency is the principle of the segregation of duties, which aims to ensure that executive (e.g. sales), recording (e.g. Accounting), and administrative (e.g. IT administration) are not united in the same place. The principle of dual control ensures that no material workflows go uncontrolled.

Expectations of the Management Board are defined and documented by regular, targeted agreements. The implemented risk management system ensures that critical information and data will pass directly to the Management.

The preparation of the consolidated financial statement was made by the finance director of Artnet Worldwide Corporation, who has many years of experience and special expertise in consolidation issues.

Risks

The Group has identified the following risks:

External Risks

Art Market Economic Trends

artnet is subject to fluctuations in the art market. This market is impacted by conditions in domestic and global economies. The extent to which these developments will also impact the art market in the future is still unclear.

Operating Risks

IT System Infrastructure

Interruptions to the website's functions can reduce artnet's ongoing revenues and profits, and can also possibly impact future revenues and earnings.

Frequent or sustained interruptions to service can give existing or interested users cause to believe that the Group's systems are not reliable. This can have a negative impact on the Group's image and reputation. Any such interruption increases the work required in the IT Department, which, in turn, leads to a delay in launching new functions and services. Even though the Group's systems have been designed so that periods of interruption, in the event of a power outage or catastrophe, are low, they remain susceptible to damage or disruption from flooding, fire, and power outages, or interruptions to telecommunications services due to terrorist attacks, computer viruses, or other unforeseen events. artnet's web servers are located in an extremely secure external facility.

Product Development

artnet's future success depends on how fast the Group can adjust to technological changes and new industry standards. The Management Board intends to further improve the functionality and reliability of the website, and to launch new products that benefit existing and potential customers. The Group observes market trends and focuses on product development. As a result, artnet has reinforced its development team over the past few years. The staff increases will allow artnet to meet its customers' growing needs, and to increase growth potential by launching new products.

There is a risk that product innovations and further product developments, such as artnet Analytics, will not be accepted as quickly as planned, and that the associated goals will not be met. In the case of achieving lower revenue, artnet's results of operations would be impacted by increasing costs for product development and higher ongoing costs.

There are risks in product development due to a growing number of Internet startups entering the market, which are directly competing with one or more of our product segments.

Traffic to the Website

Website visits (traffic) are of key importance to artnet. A downturn in visitor numbers could lead to reduced revenue for all products. artnet monitors traffic on a daily, weekly, and monthly basis in order to ensure that traffic meets expectations. To further increase traffic, the Group also needs a larger financial commitment to advertising and marketing. Whenever possible, artnet monitors visitor numbers and revenue generated through the website, and compares these numbers with the corresponding advertising and marketing expenses in order to assess the success of advertising and marketing activities.

Legal Risks

Trademark Laws

artnet protects itself through the trademark of the artnet name in the Group's key market areas, in particular, the United States, Germany, France, and the European Union. Trademark infringements are costly and are subject to review from national authorities, which can result in a negative outcome for the Group. Additionally, the Group must defend itself against copyright and other legal claims, which can also result in a negative outcome for the Group.

Copyright Laws

artnet uses a number of photographs of Decorative Art in its database, and, as an international company, is exposed to different regulations for copyright protection. To this end, artnet agreed on a license contract with the Artist Rights Society in the United States, and with the Copyright Collective Bild-Kunst in Germany. However, these contracts do not cover all rights for all images used in the database. In response to the actions of a French photographer, who sued in the French and German courts over his rights as the creator of photographs taken for an auction catalogue, and which were used in the Price Database Decorative Art, artnet will take legal action and all necessary contractual steps to avoid future lawsuits. It cannot be ruled out that other photographers, especially in France, may file similar law suits. This could have a significant impact on net assets, financial position, and results of operations.

Protection of Customer Data

artnet stores customer data in compliance with all current laws and regulations. However, if a third party were to succeed in bypassing the artnet security measures and obtain customer information, artnet could be liable for any damages incurred.

Financial Risk

Foreign Currency Fluctuation, Default, and Liquidity Risks

artnet conducts a portion of its business outside of the United States, thereby facing exposure to adverse movements in currency exchange rates. As exchange rates are subject to fluctuation, revenues and operating expenses may differ substantially from expectations. artnet does not currently engage in exchange rate hedging against these risks. Instead, the Group accepts payments from customers in euros and British pounds, and pays their suppliers in Europe in these currencies. This reduces the exchange rate risks.

Due to intragroup allowances in euros, which basically consists of financing the parent company, artnet AG, based in the eurozone, by the subsidiary company, Artnet Worldwide Corp., based in the US-dollar currency area, and of the euro bank balances of Artnet Worldwide Corp., the artnet Group is bearing foreign currency risks. In the 2014 fiscal year, the artnet Group suffered unrealized foreign exchange losses in the amount of 300,000 EUR. This had a negative impact on the net income mentioned in the consolidated income statement. On the other hand, the foreign currency adjustments did increase the Group's equity. On the basis of a balanced observation of the impact of the foreign currency conversion, the Group's equity was not affected in 2014. The Group's income statement will be negatively affected by exchange losses due to further weakening of the euro against the US dollar. However, an impact on the Group's equity will occur only at the time of realization and to the then-current exchange rates. For this reason, and because of the uncertain future exchange rate of the US dollar against the euro, the Board desists from a hedge of this foreign currency risk due to reasons of efficiency.

artnet has no significant concentration of default risk for financial assets because the exposure is averaged over a large number of customers, including individuals and entities dealing in the Fine Art market. Nevertheless, the global economic downturn could negatively influence the solvency of the Group's customers, leading to an increase in the average credit period, or, at worst, leading to an increase in customer default. This would negatively affect the Group's earnings, as well as its financial position; artnet tries to counter such risks by agreeing to upfront payments with customers whenever possible.

Liquidity risk is the risk in case artnet is unable to meet deadlines to make due payments. artnet is settling its current costs and investments from existing cash on hand and cash flow operations and has no lines of credit. The liquidity portfolio has declined due to investments for further growth by redesigning the website and the launch of artnet News, from 1.5 million EUR to 1.2 million EUR.

The condemnation by a court of appeals in France in connection with the claimed violation of the copyright of a French photographer, which was unexpected for artnet, for high indemnity payments in the amount of 0.8 million EUR, can eventually lead to counter liquidity risks, if the amount is required to be paid on short notice. artnet will continue to take legal action against this judgment, and is expecting to succeed. Therefore, it is uncertain whether this amount has to be paid at all, or, if a payment is due, what the amount will be and when it has to be paid.

As the artnet Group only has interest-bearing debts in the form of finance leases and shareholder loans, the risk of changes to interest rates is to be regarded as insignificant.

Other Risks

Key Employees

The market for skilled and motivated managers is highly competitive. As a result of artnet's relatively small size, the loss of employees in key positions could have a negative impact.

There is a possibility that the above list does not outline all risks to which artnet is exposed. Unrecognized and unreported risks could arise, negatively impacting business performance. The Group continues to monitor its environment and review the effectiveness of the risk management systems. Despite continuous adjustments to the risk management system, it is not possible to entirely quantify the probability of risks occurring or their financial impact.

6.2 Opportunities

The online art market is characterized by a dynamic environment, with constant opportunities for artnet. The size of the Company and short decision-making processes allow us to respond quickly to changing circumstances and trend reversals, weighing the potential risks. Opportunities may arise from the internal or external environment.

The development of the international art market is closely linked to the economy of industrial countries. Changes in economic circumstances will have an impact on our business activities. If the global economy, and, in particular, the European economy, recovers more sustainably than expected, this could have a positive effect on our earnings.

The confidence of buyers and sellers in the Internet as a transaction platform is growing steadily, including confidence in transactions for high-priced artworks. In the coming years, the online sector of the art market is expected to grow by a double-digit percentage rate, and will reach 10 billion EUR by 2020. If this sector is growing faster than currently expected, we could surpass our midterm projections, particularly for the artnet Auctions segment.

The Company's success depends, to a large extent, on our ability to provide our customers innovative solutions and improved products. Thus, we continue to increase the effectiveness of our products and implement website developments. If we make better progress than is currently expected, we will be able to implement product improvements faster. This could have a positive effect on our revenue and earnings.

The news portal, artnet News, launched in February 2014, adds to artnet's current product package, with the aim to increase market transparency and the number of unique visitors to our website. If the number of visitors increases more than expected, the incentive to buy advertisement banners would be higher. This could have a positive effect on revenue and earnings, especially for our advertising product.

7. Subsequent Report

In March 2015, the Paris Court of Appeal ordered artnet AG, artnet France sarl, and Artnet Worldwide Corporation to make an indemnity payment in the amount of 764,412 EUR to a French photographer. The court considered the copyright violation of the photographer in France by publishing photographs in the artnet Price Database as proven. artnet has planned to take legal action against this judgment at the French Court of Cassation.

No other reportable events of significance happened after the balance sheet date that could have a material impact on the artnet Group's financial position or results of operations.

8. Outlook

In the 2014 fiscal year, artnet introduced a number of significant changes, in particular, the site redesign and the launch of artnet News, the positive effects of which will be fully felt in 2015.

The redesign modernized the artnet site, and significantly enhanced the value and appearance of the brand. Because of the strengthened company profile, the site has become more attractive to luxury brands for advertising campaigns. In addition, the new design has made the site better suited to establishing partnerships and contracts with galleries and art fairs, which, in turn, increases site traffic and brand recognition. As a result, the investment in the redesign has increased revenue and helped market artnet products and services. In 2015, the redesign will be completed for the pages that have not yet been updated, and additional product improvements will follow to meet changing technological requirements and satisfy our clients' needs.

artnet increasingly seeks to establish partnerships and sponsorship contracts to remain at the forefront of the art market, which has seen a growing number of online service providers in recent years. One example of these partnerships includes artnet's participation in the International New York Times Art for Tomorrow conference, which took place in Doha in March 2015, and focused on art and architecture. The event was attended by high-ranking representatives from the arts, financial industry, and media. artnet participated in a panel discussion, presenting the Company to experts in various fields, as well as to potential clients from around the world. artnet has also partnered with TEFAF Maastricht and Frieze New York, which are considered to be among the most important art fairs in the world. Participation in these kinds of events is essential for client acquisition and retention, therefore, similar partnerships are planned for the future.

Along with featuring daily art world news, artnet News will increasingly publish in-depth articles on developments and trends in the art market. In the first half of 2015, selected articles will be published in Mandarin for the first time, with a beta version of the Chinese site live since March 2015. This expands awareness of artnet in China, which is the second-largest art market after the United States. On the site, luxury brands can target their campaigns to a Chinese audience, which will have a positive impact on advertising revenue. For the 2015 fiscal year, the aim is to finance artnet News solely through advertising revenue.

Generating traffic to the artnet site is key for the marketing of our products, and for selling advertising placements. In 2014, artnet News doubled the number of visitors to artnet. Both by expanding artnet News into China and establishing partnerships with TEFAF Maastricht and Frieze New York, a slight increase in site visitors is anticipated for 2015.

For the following prognosis per segment, only the anticipated revenues can be reflected, as the return figures are not provided per segment.

In the 2015 fiscal year, the stabilization of the Gallery Network will be one of the main objectives for artnet. Partnerships with TEFAF Maastricht and Frieze New York give exhibiting galleries at the fairs the opportunity to receive a gallery membersite on the custom-built art fair page on artnet. This way, more galleries are added to the Gallery Network, and artnet intends to keep these galleries as long-term members. At the same time, artnet will be brought to visitors' attention, which will increase traffic to the Gallery Network. For TEFAF and Frieze New York, collaborations with an online partner are a novelty, which reflects positively on the artnet brand and the Gallery Network, in particular. The Gallery Network and Auction House Partnerships directories will be redesigned in early 2015, helping visitors to more easily find specific galleries and auction houses. This will complete the redesign of the gallery segment. Despite a competitive market environment, a stabilization in the number of members is anticipated. Compared to 2014, consistent revenues are also anticipated for the segment in 2015.

artnet expects to continue the positive trend for the Advertising segment, which started in 2014. Because of the redesign, new advertising formats, and an increased number of visitors due to artnet News, artnet remains very attractive for luxury brands' advertising campaigns. The postponed launch of the redesign to the second quarter of 2014, as well as the increase in traffic from artnet News, which happened in the second half of the year, limited the potential revenue growth for advertising in 2014, as luxury brands plan their campaigns several months in advance. In the 2015 fiscal year, the number of luxury brands placing ad campaigns on artnet will be expanded further. In addition to banners on the artnet site, artnet newsletters are an ideal medium for advertising clients, as open rates of these daily newsletters are above the industry average, enabling campaigns with little waste. Therefore, we expect a strong growth in revenue for the Advertising segment.

In 2015, the Price Database segment will be optimized and redesigned. This segment, which generates the highest revenue for artnet, has only seen minor improvements so far. The search screen, in particular, will be improved to meet the needs of our institutional clients. A fundamental change is the advanced personalization of client accounts, which will introduce new ways of saving search results, a common request from institutional clients. Additional changes will be implemented on the site to increase the number of visitors to the Price Database, which will, in turn, grow our client base. The optimization of the search functionality will result in a slight increase in the number of purchased and used searches by private clients, and particularly by institutional clients. By optimizing data input, the number of added lots will increase slightly in 2015. However, this also depends on the number of lots offered at auction worldwide. Following a price increase in the previous year, which resulted in higher revenue, the revenue for the Price Database is expected to increase slightly in 2015.

On artnet Auctions, post-sale payment and delivery will be optimized in 2015 to simplify the buying and selling process for our clients. Because of the high value of artworks and extensive shipping requirements, art cannot be compared to common goods traded online, posing exceptional challenges to the fulfillment process. With the growing acceptance of buying and selling art online, artnet anticipates a growing number of registrants on artnet Auctions. In 2015, a clear focus on high-value lots and an increase in the average lot price will remain important goals. For the 2015 fiscal year, a growth of approximately 10% is anticipated for artnet Auctions.

A growth in revenue, to 15.5 to 16.3 million EUR (19.0 to 20.0 million USD), and earnings after taxes of 0.1 to 0.4 million EUR

(0.1 to 0.5 million USD), is predicted based on the forecasts for each segment in 2015. Due to the anticipated revenue growth and planned investments, the cash position is expected to increase slightly compared to the end of 2014. We anticipate that no liquidity outflow will occur following the lawsuits concerning the violations of copyrights in France and Germany in 2015.

Berlin, April 22, 2015

Jacob Pabst
CEO, artnet AG

Consolidated Financial Statements as of December 31, 2014

artnet AG Consolidated Balance Sheet

As of December 31, 2014

	Notes No.	12/31/2014 USD	12/31/2013 USD	12/31/2014 EUR	12/31/2013 EUR
Assets					
Current Assets					
Cash and Cash Equivalents	3	1,435,839	2,104,778	1,181,121	1,528,763
Trade Receivables	4	999,922	867,645	822,536	630,197
Other Current Assets	5	353,743	408,200	290,989	296,488
Total Current Assets		**2,789,504**	**3,380,623**	**2,294,646**	**2,455,448**
Non-Current Assets					
Property, Plant, and Equipment	6	773,136	1,021,334	635,982	741,826
Intangible Assets	7	788,968	1,618,905	649,005	1,175,859
Security Deposits		388,845	386,167	319,864	280,485
Deferred Tax Assets	8	884,432	1,907,577	727,534	1,385,530
Total Non-Current Assets		**2,835,381**	**4,933,983**	**2,332,385**	**3,583,700**
Total Assets		**5,624,885**	**8,314,606**	**4,627,031**	**6,039,148**
Equity and Liabilities					
Current Liabilities					
Accounts Payable	9	720,760	641,167	592,897	465,699
Accrued Expenses and Other Liabilities	10	705,878	851,754	580,655	618,654
Provisions	11	1,319,644	164,770	1,085,540	119,677
Short-Term Liabilities from Finance Leases	12	225,401	302,797	185,415	219,931
Deferred Revenue	14	1,880,882	1,962,823	1,547,214	1,425,657
Loans	27	368,750	–	303,334	–
Total Current Liabilities		**5,221,315**	**3,923,311**	**4,295,055**	**2,849,618**
Long-Term Liabilities					
Office Rent Amortization	13	375,930	352,645	309,240	256,137
Long-Term Liabilities from Finance Leases	12	56,014	281,414	46,077	204,399
Loans	27	243,132	709,044	200,000	515,000
Total Long-Term Liabilities		**675,076**	**1,343,103**	**555,317**	**975,536**
Total Liabilities		**5,896,391**	**5,266,414**	**4,850,372**	**3,825,154**
Shareholders' Equity					
Common Stock	15	5,941,512	5,941,512	5,631,067	5,631,067
Treasury Stock	15	(269,241)	(269,241)	(264,425)	(264,425)
Additional Paid-In Capital		52,325,939	52,252,827	50,927,279	50,872,189
Accumulated Deficit		(54,872,246)	(54,925,977)	(53,868,969)	(53,909,439)
Current Net Profit		(3,890,587)	53,731	(3,047,392)	40,470
Foreign Currency Translation		493,117	(4,660)	399,099	(155,868)
Total Shareholders' Equity		**(271,506)**	**3,048,192**	**(223,341)**	**2,213,994**
Total Liabilities and Shareholders' Equity		**5,624,885**	**8,314,606**	**4,627,031**	**6,039,148**

artnet AG Consolidated Income Statement

For the Fiscal Year from January 1 to December 31, 2014

	Notes No.	2014 USD	2013 USD	2014 EUR	2013 EUR
Revenue					
artnet Gallery Network		5,941,627	6,303,210	4,477,016	4,747,578
artnet Price Database		7,469,366	6,763,373	5,628,167	5,094,173
artnet Advertising		1,894,422	1,364,505	1,427,447	1,027,745
artnet Auctions		3,150,649	2,786,725	2,374,014	2,098,961
Total Revenue	24	**18,456,064**	**17,217,813**	**13,906,644**	**12,968,457**
Cost of Sales		7,393,886	7,624,174	5,571,293	5,742,528
Gross Profit		**11,062,178**	**9,593,639**	**8,335,351**	**7,225,929**
Operating Expenses					
Sales and Marketing		4,231,219	2,435,450	3,188,224	1,834,381
General Administrative		4,254,590	4,397,610	3,205,834	3,312,280
Product Development		3,283,789	2,731,460	2,474,335	2,057,335
Non-Cash Compensation	18	73,112	12,368	55,090	9,316
Total Operating Expenses		**11,842,710**	**9,576,887**	**8,923,482**	**7,213,312**
Operating Income		**(780,532)**	**16,752**	**(588,131)**	**12,617**
Interest Expenses	22	68,274	66,074	51,444	49,767
Interest Income	22	58	1,250	44	942
Extraordinary Depreciation	7	653,192	–	537,316	–
Other Income/(Expenses)	22	(93,545)	108,314	(70,486)	81,582
Provision for Litigation Risks	22	1,260,783	–	950,000	–
Earnings Before Taxes		**(2,856,268)**	**60,242**	**(2,197,333)**	**45,374**
Income Taxes	8	(11,174)	(6,511)	(8,420)	(4,904)
Deferred Tax Benefit/(Expense)	8	(1,023,145)	–	(841,639)	–
Total Taxes		**(1,034,319)**	**(6,511)**	**(850,059)**	**(4,904)**
Net Profit/(Loss)		**(3,890,587)**	**53,731**	**(3,047,392)**	**40,470**
Other Comprehensive Income					
OCI Recycled: Differences from Foreign Currency Translation		497,777	(148,727)	554,967	(204,258)
Total Comprehensive Income		**(3,392,810)**	**(94,996)**	**(2,492,425)**	**(163,788)**
Result per Share					
Basic and Diluted	21	(0.70)	0.01	(0.55)	0.01

artnet AG Consolidated Statement of Changes in Shareholders Equity (USD)

For the Fiscal Year from January 1 to December 31, 2014

	Common Stock						
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance as of 12/31/2012	**5,631,067**	**5,941,512**	**(269,241)**	**52,240,459**	**(54,925,977)**	**144,067**	**3,130,820**
Net Income/(Loss)	–	–	–	–	53,731	(148,727)	(94,996)
Remuneration from Stock Options	–	–	–	12,368	–	–	12,368
Balance as of 12/31/2013	**5,631,067**	**5,941,512**	**(269,241)**	**52,252,827**	**(54,872,246)**	**(4,660)**	**3,048,192**
Net Income/(Loss)	–	–	–	–	(3,890,587)	497,777	(3,392,810)
Remuneration from Stock Options	–	–	–	73,112	–	–	73,112
Balance as of 12/31/2014	**5,631,067**	**5,941,512**	**(269,241)**	**52,325,939**	**(58,762,833)**	**493,117**	**(271,506)**

artnet AG Consolidated Statement of Changes in Shareholders Equity (EUR)

For the Fiscal Year from January 1 to December 31, 2014

	Common Stock						
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance as of 12/31/2012	**5,631,067**	**5,631,067**	**(264,425)**	**50,862,873**	**(53,909,439)**	**48,390**	**2,368,466**
Net Income/(Loss)	–	–	–	–	40,470	(204,258)	(163,788)
Remuneration from Stock Options	–	–	–	9,316	–	–	9,316
Balance as of 12/31/2013	**5,631,067**	**5,631,067**	**(264,425)**	**50,872,189**	**(53,868,969)**	**(155,868)**	**2,213,994**
Net Income/(Loss)	–	–	–	–	(3,047,392)	554,967	(2,492,425)
Remuneration from Stock Options	–	–	–	55,090	–	–	55,090
Balance as of 12/31/2014	**5,631,067**	**5,631,067**	**(264,425)**	**50,927,279**	**(56,916,361)**	**399,099**	**(223,341)**

artnet AG Consolidated Statement of Cash Flows

For the Fiscal Year from January 1 to December 31, 2014

	Notes No.	2014 USD	2013 USD	2014 EUR	2013 EUR
Cash Flow from Operating Activities					
Net Profit/Loss		**(3,890,587)**	**53,731**	**(3,047,392)**	**40,470**
Adjustments to Reconcile Net Profit to Net Cash Provided by/(used in) Operating Activities					
Depreciation and Amortization	6,7,22	1,283,299	583,806	944,934	439,723
Impairments/Write-Offs for Receivables	4	(161,234)	279,296	(121,490)	210,366
Changes in Deferred Tax Assets	8	1,023,145	–	841,639	–
Non-Cash Compensation from Stock Options	18	73,112	12,368	55,090	9,316
Other Non-Cash Transactions		492,924	(169,005)	438,587	(129,604)
Changes in Operating Assets and Liabilities					
Trade Receivables	4	28,957	74,117	21,819	55,825
Other Current Assets	5	54,457	329,768	41,033	248,381
Security Deposits		(2,678)	(6,246)	(2,018)	(4,704)
Accounts Payable	9	79,593	(203,610)	59,973	(153,359)
Provisions	11	1,154,874	(5,271)	870,198	(3,970)
Accrued Expenses and Tax Liabilities	10	(122,591)	(50,248)	(92,372)	(37,847)
Deferred Revenue	14	(81,941)	201,882	(61,743)	152,058
Total Adjustments		**3,821,917**	**1,046,857**	**2,995,650**	**786,184**
Cash Flow Provided by/(used in) Operating Activities		**(68,669)**	**1,100,588**	**(51,742)**	**826,654**
Cash Flow from Investing Activities					
Purchase of Property and Equipment	6,12	(35,536)	(16,248)	(26,776)	(12,238)
Purchase and Development of Intangible Assets	7,12	(177,961)	(387,061)	(134,094)	(291,534)
Cash Flow Provided by/(used in) Investing Activities		**(213,497)**	**(403,309)**	**(160,870)**	**(303,772)**
Cash Flow from Financing Activities					
Repayment of Finance Leases	12	(302,796)	(330,354)	(228,157)	(248,822)
Loans Received/Loan Payments	27	–	685,213	–	500,000
Cash Flow Provided by/(used in) Financing Activities		**(302,796)**	**354,859**	**(228,157)**	**251,178**
Effects of Exchange Rate Changes on Cash		**(83,976)**	**57,866**	**93,127**	**2,158**
Changes in Cash and Cash Equivalents		**(668,939)**	**1,110,005**	**(347,642)**	**776,217**
Cash and Cash Equivalents—Start of Period	3	**2,104,778**	**994,773**	**1,528,763**	**752,546**
Cash and Cash Equivalents—End of Period	3	**1,435,839**	**2,104,778**	**1,181,121**	**1,528,763**
Supplemental Disclosures of Cash Flow					
Income Tax Receipts/(Payments)	8	(9,531)	(6,511)	(7,182)	(4,904)
Interest Payments	22	(63,849)	(46,159)	(48,110)	(34,767)
Interest Receipts	22	58	1,250	44	942

Notes to the Consolidated Financial Statements 2014

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1. Corporate Information and Statement of Compliance

artnet AG (hereinafter referred to as “artnet AG” or the “Company”) is a publicly traded corporation headquartered in Berlin, Germany. The address of its registered office is Oranienstraße 164, 10969 Berlin, Germany. artnet AG was incorporated under the laws of Germany in 1998.

artnet AG holds 100% of the shares in Artnet Worldwide Corporation (“Artnet Corp.”), which is located in New York, NY, USA. Artnet Corp. holds 100% of the shares in artnet UK Ltd. and artnet France sarl. artnet AG and Artnet Corp., together with the latter’s wholly owned subsidiaries, are referred to as the “artnet Group” or the “Group.”

The Group’s business is to provide art collectors, galleries, publishers, auction houses, and art enthusiasts with a website where individuals can research artists and art prices, and find artworks that are currently available in the artnet Gallery Network or on artnet Auctions, a transaction platform to buy and sell art.

Applying § 315a of the German Commercial Code (HGB), accompanying the consolidated financial statements as of December 31, 2014, financial statements for the parent and subsidiary companies were prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations of the International Accounting Standards Board (IASB) effective within the EU. The consolidated financial statements were authorized for issuance by the CEO on April 22, 2015.

2. Summary of Significant Accounting Policies

Basis of Accounting and Reporting Currency

Amounts included in the consolidated financial statements and notes to the consolidated financial statements are stated as required by German law in euros (EUR), unless otherwise noted. The reporting currency is the euro.

Due to rounding, amounts presented may not add up precisely.

The currency of the primary economic environment in which artnet operates is US dollars. For convenience purposes, especially for our United States investors, the consolidated statement of financial position, statement of comprehensive income, cash flow statement, and statement of changes in equity are also presented in US dollars.

The consolidated financial statements have been prepared on a historical cost basis. The balance sheet date is December 31, 2014. The principal accounting policies adopted are set out below.

The consolidated financial statements as of December 31, 2014, have been prepared despite the negative result of the net loss of the Group equity under the assumption that the Company will continue operations. artnet assumes that the due payment obligations in 2015 can be fulfilled. We expect no liquidity outflow due to the copyright infringement of a photographer in 2015 in Germany and France.

Basis of Consolidation and Consolidated Companies

The consolidated financial statements include the legal parent company, artnet AG, its wholly owned subsidiary, Artnet Worldwide Corporation, as well as the subsidiaries of the Company. Control of the Company is achieved when artnet has to make variable returns due to interactions with the Company, or has interest in it, and has the ability to affect those returns through its power of decision over the Company. artnet AG has decision-making authority over the Company if artnet has rights that give directly or through third parties the current ability to control the relevant activities of the Company. The relevant activities are those that significantly affect its cash flow, depending on the nature and purpose of the Company. Variable returns are all return flows, which can vary depending on the Company’s performance. Accordingly, returns from engagement with other companies can be both positive and negative. Variable returns include dividends, fixed and variable interest rates, fees and charges, fluctuations in the value of investments, and other economic benefits.

On February 23, 1999, artnet AG entered into a transaction with Artnet Corp., which was treated as a recapitalization of Artnet Corp., with Artnet Corp. as the acquirer of artnet AG. The Company accounted for the business combination of artnet AG and Artnet Corp. as a reverse acquisition in accordance with IFRS 3.

On November 1, 2007, Artnet Corp. established artnet UK Ltd., which is a wholly owned subsidiary of Artnet Corp. artnet UK Ltd. conducts sales and provides customer support for Artnet Corp. in the United Kingdom.

On July 3, 2008, Artnet Worldwide Corporation established artnet France sarl, which is a wholly owned subsidiary of Artnet Worldwide Corporation. Until June 2012, artnet France sarl was responsible for the French website, artnet.fr, and for sales and customer support in France. The active business operation of artnet France sarl was discontinued after the closure of the online magazine and the transfer of other tasks. Since this time, these tasks have been taken over by Artnet Worldwide Corporation and artnet AG.

All significant intercompany transactions, balances, income, and expenses are eliminated in full on consolidation.

Reporting Period

The consolidated financial statements were prepared for the reporting period, from January 1, 2014 through December 31, 2014. The financial year for all Group companies coincides with the calendar year.

Revenue Recognition

Revenue for services is recognized when services are rendered, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. Revenue for contracts in which the service has not yet been provided are deferred and recorded as revenue when the service is performed.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts for services provided in the normal course of business, net of discounts, VAT, and other sales taxes.

Financial Assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's financial assets are cash and cash equivalents, accounts receivable, and rent security deposits. These financial assets are classified under the category "Loans and Receivables."

Cash and Cash Equivalents

The Company considers all highly liquid investments with less than three-month maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Accounts Receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in current assets, with the exception of maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Accounts receivable are recorded at the invoiced amount and do not bear interest. Accounts receivable include credit card transactions, which have already been settled, but for which no payment has been received. The accounts receivable balance is shown net of allowance for doubtful accounts. The allowance for doubtful accounts involves significant Management judgment, and review of individual receivables based on individual customer credit worthiness, current economic trends, and analysis of historical bad debts on a portfolio basis. Actual results could differ from those estimates.

Tangible Fixed Assets

Tangible assets are valued at historical cost minus accumulated depreciation. The artnet Group computes depreciation and amortization using the straight-line method. Computer equipment, furniture and fixtures, and office equipment are depreciated over an estimated useful life of three to seven years. Leasehold improvements are amortized over the lesser of the term of the related lease or its estimated useful life, which is up to 10 years. Maintenance expenses that neither enhance the value of an asset nor prolong the useful life are expensed as incurred.

Intangible Assets Including Website Development Costs

Intangible assets are comprised of purchased software and website development costs. Intangible assets are recorded as historical costs and amortized on a straight-line basis over their estimated useful life of three to 10 years. All intangible assets have a limited useful life. Costs related to the research, planning, and post-implementation phases of the Group's websites, such as minor enhancements and maintenance or development efforts, are expensed as incurred. Maintenance expenses which neither enhance the value of an asset nor prolong the useful life are recorded as expenses.

Costs incurred in the development phase are capitalized if:

- The product or process is technically and commercially feasible
- There is a market for the result of the website development
- The attributable expenditure can be reliably measured
- The Group has sufficient resources to complete development

The market condition is substantiated, as only expenditures related to website development projects, material expansions, and capitalized improvements to the website are expected to generate future revenues.

Impairment

The Group reviews tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, tangible and intangible assets, as well as intangible assets not yet available for use, are subject to an annual impairment test. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value minus the cost to sell. Where the asset does not generate cash flows that are independent from other assets, the impairment test is not performed at an individual asset level; instead, it is performed at the level of the cash-generating unit to which the asset belongs. If the recoverable amount of the cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. The asset's value in use, either at an independent level or a cash-generating unit level, is measured by discounting the asset's estimated future cash flows. If there is an indication that the reasons that caused the impairment loss no longer exist, the Group will assess the need to reverse all or a portion of the impairment, not to exceed the original carrying amount.

Income Taxes and Deferred Taxes

The current tax expense is determined on the basis of the taxable income of each of the Group's companies for the fiscal year. The taxable income is adjusted for items that are non-taxable or tax deductible. The current tax expense is calculated based on the applicable tax rates on the balance sheet date.

Deferred taxes are recognized under the asset and liability method in respect to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available, against which deductible temporary differences and tax loss or tax credit carryforwards can be utilized.

Deferred tax assets and liabilities are measured using enacted or substantially enacted statutory tax rates for the years in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available, against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilized. The recognition of deferred tax assets on tax loss carryforwards is based on a planning period of three years. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable business or different taxable businesses where there is an intention to offset the balances on a net basis.

Foreign Currency Translation and Business Transactions

The currency of the primary economic environment in which the artnet Group operates is US dollars, which is the functional currency of the operating subsidiary Artnet Corp. Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recognized as other income/ expenses.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. The accumulated gains and losses resulting from translation are recorded as a separate component of the Group equity.

Currency exchange rates significant to the artnet Group are the translation of US dollars to euros, and of US dollars to British pounds (GBP). The following exchange rates have been used for the currency translation in the years presented:

	USD to EUR		USD to GBP	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current Rate Year End	0.823	0.726	0.644	0.606
Average Rate for the Year	0.754	0.753	0.607	0.640

Financial Liabilities

The artnet Group measures financial liabilities at amortized cost using the effective interest method, which is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Provisions

Provisions are recognized when the Group has a current obligation arising from a past event; it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized as the present value by discounting the expected future cash flow at a pretax rate that reflects current market assessments of the time value of money.

Group as Lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Scheduled depreciation is recorded over the economic useful life or a shorter contractual period, using the depreciation method that also applies for comparable assets acquired or manufactured. The finance lease obligation is shown separately in the consolidated balance statement under liabilities from finance leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they occur.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the term of the lease. Benefits received and receivable, as an incentive to enter into an operating lease, are spread over the lease term on a straight-line basis.

Pension Provisions

Artnet Corp. offers a defined contribution benefit plan, which qualifies under Section 401(k) of the Internal Revenue Code. Payments made by Artnet Corp. are charged as an expense.

Share-Based Payments

artnet AG provided equity-settled share-based payments to executive management and to certain employees of Artnet Corp. The equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date, minus the fair value of any consideration received at the grant date, is expensed over the vesting period based on the estimated amount of shares that will eventually vest. The fair value of the equity-settled share-based payments is measured using the binomial model.

Treasury Stock

The Group's equity will be reduced by the acquisition costs of artnet's treasury stock.

New and Amended Standards and Interpretations for the Fiscal Year

The following new or amended standards and interpretations for which application was mandatory in fiscal 2014 did not have any material impact on the Company's consolidated financial statements:

New Features and Changes in Accounting			
New Standards or Interpretations		**Issued**	**Date of EU Endorsement**
IFRS 10	Consolidated Financial Statements	1/1/2014	12/11/2012
IFRS 11	Joint Arrangements	1/1/2014	12/11/2012
IFRS 12	Disclosure of Interests in Other Entities	1/1/2014	12/11/2012
IAS 27	Separate Financial Statements (revised 2011)	1/1/2014	12/11/2012
IAS 28	Investments in Associated Companies and Joint Ventures (revised 2011)	1/1/2014	12/11/2012
Changes of Standards			
Changes in IFRS 10, 11, and 12: Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transitional Directives		1/1/2014	4/4/2013
Changes in IFRS 10: Consolidated Financial Statements—Exemption from the Requirement to Consolidate Investment Companies		1/1/2014	11/20/2013
Changes in IAS 32: Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities		1/1/2014	12/13/2012
Changes in IAS 36: Recoverable Amount Disclosures for Non-Financial Assets		1/1/2014	12/19/2013
Changes in IAS 39 / IFRS 9: Novation of OTC Derivatives and Continuing Designation for Hedge Accounting		1/1/2014	12/19/2013

Not Yet Applied New or Revised Standards and Interpretations

The following standards, interpretations, and amendments, which were not yet mandatory or had not yet been adopted by the EU on December 31, 2014, have not been applied. The Group expects that the adoption of the standards will have no significant impact on the accounting and presentation of the consolidated financial statement, with the exception of the new standards for revenue recognition, IFRS 15. The impact of mandatory regulations of IFRS 15, which will be implemented in 2017, will be reported in the following fiscal year, 2015.

Future Features and Changes in Accounting			
New Standards or Interpretations		**Issued**	**Date of EU Endorsement**
IFRS 9	Financial Instruments	1/1/2018	H2 2015
IFRS 14	Regulatory Deferral Accounts	1/1/2016	Q2 2015
IFRS 15	Revenue from Contracts with Customers	1/1/2017	Q2 2015
IFRIC 21	Levies	1/1/2014 6/17/2014	06/13/2014
Changes of Standards			
Changes in IFRS 10, IFRS 12, IAS 28: Amendments Regarding the Application of the Investment Entities		1/1/2016	Q4 2015
Changes in IAS 1: Disclosure Initiative		1/1/2016	Q4 2015
Changes in IFRS 10, IAS 28: Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture		1/1/2016	Q4 2015
Changes in IAS 27: To Allow Application of the Equity Method in Separate Financial Statements		1/1/2016	Q3 2015
Changes in IAS 16, IAS 38: Acceptable Methods of Depreciation and Amortization		1/1/2016	Q3 2015
Changes in IAS 19: Employee Contributions to Defined Benefit Plans		7/1/2014	12/17/2014
Changes in IFRS 11: Acquisition of an Interest in a Joint Operation		1/1/2016	Q1 2015
Annual Improvement Project of IASB 2010–2012		7/1/2014	12/17/2014
Annual Improvement Project of IASB 2011–2013		7/1/2014	12/18/2014
Annual Improvement Project of IASB 2013–2014		1/1/2016	Q3 2015

Use of Estimates

The preparation of the consolidated financial statements in accordance with IFRS necessitates estimates and assumptions that influence assets and liabilities, income, and expenses, as well as information in the notes to the financial statements. Actual results and developments may differ from those estimates and assumptions.

Estimates made by Management that have a significant effect on the consolidated financial statements include the recognition of deferred tax assets and development costs, the impairment of capitalized development costs, the measurement of provisions and accruals, the useful lives of non-current assets, and the assessment of bad debt provisions on accounts receivable.

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and bank balances. Cash and bank balances are stated at fair value.

4. Accounts Receivable

Net accounts receivable consist of the following:

	12/31/2014 EUR	12/31/2013 EUR
Gross Accounts Receivable	1,022,026	922,128
Less: Allowance for Value Adjustment Accounts Receivable	(199,490)	(291,962)
Receivables After Impairment	**822,536**	**630,197**

All accounts receivable are due within one year.

There is no concentration of credit risk with respect to accounts receivable, as the Group has a diversified customer base. The carrying amount of accounts receivable is equal to their fair value.

Receivables by maturity:

	12/31/2014 EUR	12/31/2013 EUR
Overdue but not Impaired Receivables		
Between 0 and 60 days	682,591	523,293
Carrying Amounts of Impaired Receivables		
Overdue Between 61 and 90 days	75,953	28,496
Overdue More than 90 days	63,992	78,408
Total Overdue and Impaired Receivables	139,944	106,904
Receivables After Impairment	**822,536**	**630,197**

The allowance for doubtful accounts is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable. Accounts receivable that are less than 60 days overdue are not provided for. Accounts receivable that are more than 60 days overdue are provided for on a grading scale, based on the age of the individual receivable, with allowances between 10% and 90% of the nominal value. The Group does not hold any collateral for accounts receivable balances.

Allowance for doubtful accounts developed as follows:

	12/31/2014 EUR	12/31/2013 EUR
Balance at the Beginning of the Fiscal Year	291,962	375,068
Bad Debt Expenses for the Year	262,707	210,366
Write-Off of Bad Debts	(382,857)	(291,962)
Currency Exchange Differences	27,679	(1,510)
Balance at the End of the Fiscal Year	**199,490**	**291,962**

5. Payments in Advance and Other Current Assets

Other current assets consist mainly of designated restricted cash balances for defined contribution retirement plans and health insurance plans in the amount of 127,846 EUR (2013: 118,296 EUR). For software and insurance deposits, payments have been made in the amount of 124,192 EUR (2013: 134,710 EUR). In addition, there are claims on tax payments in Germany and the United Kingdom amounting to 34,525 EUR (2013: 41,606 EUR).

6. Tangible Assets

Tangible fixed assets in the 2014 and 2013 fiscal years developed as follows:

	Computer and Hardware EUR	Operating and Office Equipment EUR	Leasehold Improvement EUR	Total EUR
Acquisition Costs				
As of December 31, 2012	**974,415**	**690,195**	**325,600**	**1,990,210**
Exchange Differences	11,935	(42,569)	60,781	30,148
Disposals	(425,006)	–	–	(425,006)
Additions	9,668	2,134	–	11,802
As of December 31, 2013	**571,013**	**649,760**	**386,381**	**1,607,154**
Exchange Differences	62,152	78,545	41,435	182,132
Disposals	(259,954)	(23,987)	–	(283,941)
Additions	29,232	1,780	–	31,012
As of December 31, 2014	**402,442**	**706,098**	**427,816**	**1,536,357**
Depreciation				
As of December 31, 2012	**730,621**	**198,292**	**21,386**	**950,299**
Exchange Differences	6,996	32,917	29,669	69,583
Disposals	(425,006)	–	–	(425,006)
Additions	142,039	89,592	38,821	270,452
As of December 31, 2013	**454,651**	**320,802**	**89,876**	**865,328**
Exchange Differences	63,691	51,499	14,031	129,221
Disposals	(260,072)	(23,987)	–	(284,059)
Additions	83,698	70,349	35,838	189,885
As of December 31, 2014	**341,967**	**418,662**	**139,745**	**900,374**
Carrying Amount				
As of December 31, 2013	**116,362**	**328,959**	**296,505**	**741,826**
Includes: Finance Leases	76,148	222,994	–	299,142
As of December 31, 2014	**60,475**	**287,437**	**288,071**	**635,982**
Includes: Finance Leases	24,308	205,925	–	230,324

The depreciation expense of tangible assets is included in the cost of sales.

7. Intangible Assets

Intangible assets in the 2014 and 2013 fiscal years developed as follows:

	Development Costs EUR	Software EUR	Total EUR
Acquisition Costs			
As of December 31, 2012	**1,522,776**	**289,098**	**1,811,874**
Exchange Differences	(60,729)	(11,529)	(72,259)
Disposals	–	(45,737)	(45,737)
Additions	267,798	112,856	380,654
As of December 31, 2013	1,729,845	344,688	2,074,532
Exchange Differences	168,515	45,725	214,240
Disposals	–	(15,682)	(15,682)
Additions	202,330	1,657	203,987
As of December 31, 2014	**2,100,690**	**376,388**	**2,477,077**
Depreciation			
As of December 31, 2012	**695,305**	**112,030**	**807,335**
Exchange Differences	(27,728)	(4,468)	(32,196)
Disposals	–	(45,737)	(45,737)
Additions	64,695	104,576	169,271
As of December 31, 2013	**732,272**	**166,401**	**898,673**
Exchange Differences	158,209	31,449	189,658
Disposals	–	(15,308)	(15,308)
Additions	648,550	106,499	755,049
As of December 31, 2014	**1,539,031**	**289,041**	**1,828,072**
Carrying Amount			
As of December 31, 2013	**997,573**	**178,286**	**1,175,859**
Includes: Finance Leases	–	150,591	150,591
As of December 31, 2014	**561,659**	**87,346**	**649,005**
Includes: Finance Leases	–	72,535	72,535

In previous years, the manufacturing costs of artnet Analytics, which is allocated to the artnet Price Database segment, were capitalized as an internally generated, intangible asset. Until the launch of the product in May 2012, capitalized development costs totaled 1,339 kEUR. Because sales expectations were not met, an impairment test was performed on December 31, 2012. The identified use value amounted to 630 kEUR, and the value of the asset capitalized was adjusted by unscheduled depreciation.

The artnet Analytics product constitutes a cash-generating unit, as directly allocable income is generated with this asset. This income is independent of the income generated by other artnet products.

The forecasts for the product artnet Analytics were missed again in 2014. Thus, a so-called triggering event happened on December 31, 2014. Another impairment test for continued development costs was done. With this impairment test, the recoverable amount of the cash-generating unit is determined by the value of utility value. The utility value is the cash value of future cash flows, which can be determined by the cash during the period of remaining useful economic life. This value is determined from a company-internal view based on underlying cash flow planning. This is based on the midterm plan made at the time of the impairment test, and refers to the time of the remaining useful economic life of the asset. As of the balance sheet date, there are seven years and five months remaining. Included in the cash flow planning are our previous experiences and expectations about the future market development. The discount rate used for cash flow was 22.36% (2013: 19.45%) before tax, and 12.75% (2013: 12.08%) after tax.

Due to significantly reduced planning assumptions, there was no positive utility value of capitalized development costs for the estimated remaining useful life. Therefore, a complete write-down of the capitalized development costs for artnet Analytics has been made in the amount of 537 kEUR (653 kUSD). The launch of this unique analysis tool for the art market was much more time consuming and difficult than planned. However, we continue to see a demand for this product, and, therefore, product-related sales activities have not stopped. The product is used to generate reports for specialized customer inquiries, and are also used for articles about current market trends on artnet News. The reports are also available on the artnet Market Watch page.

In the 2014 fiscal year, additional costs for the redesign of the website in the amount of 134 kEUR were capitalized; the capitalized development costs totaled 661 kEUR. The website redesign included an end-to-end restructuring of the architecture of the German, English, and French websites, which changes the structure and organization of the pages, as well as the navigation. In addition, the introduction of a new semantic search function brings additional benefits for visitors to the website. Management believes that these far-reaching changes to the website, and the addition of new functions, will attract a significant number of new clients, particularly in the Gallery Network segment, and the development costs will thus contribute directly to generating positive cash flows in the future. Only directly allocable costs for external developers were capitalized. Internal development costs were not capitalized as it was not possible to allocate these with sufficient reliability. The first and fundamental phase of the redesign was completed in April 2014, and, since then, the intangible asset has been depreciated, which will continue over a period of five years.

The amortization expenses for intangible assets are included in the cost of sales. The impairment losses for the development costs of the product artnet Analytics in the previous year were reported as a separate item in the statement of comprehensive income.

As of December 31, 2014, the Group did not have any material contractual obligations for the acquisition of intangible assets.

8. Taxes and Deferred Taxes

Income tax expense/(benefit) consists of the following:

	2014 kEUR	2013 kEUR
Current Income Taxes		
Income Tax Payments in France and Great Britain	1	8
US Corporate Tax (Federal, State) and Income Tax Expenses of Other Consolidated Companies	7	19
Tax Refunds from Previous Years	–	(22)
Total Current Income Taxes	8	5
Deferred Tax		
Change in Deferred Tax Assets Based on Loss Carryforwards	608	–
Temporary Differences	50	(75)
Exchange Rate Differences	184	75
Total Deferred Taxes	842	-
Total Income Taxes	**850**	**5**

In the reporting year, the approach of deferred tax assets on tax losses carried forward was reduced significantly due to the revaluation as the result of the development of earnings in the last three financial years, which were not according to plan.

Due to its tax loss carryforwards, Artnet Worldwide Corporation only has to pay the alternative minimum corporation tax.

Deferred Tax Asset

As of the 2014 balance sheet date, Artnet Worldwide Corporation has a total of 23.0 million EUR (28.0 million USD) in tax loss carryforwards, available for offset against future profits. As of December 31, 2013, these tax loss carryforwards amounted to 20.2 million EUR (27.8 million USD). A deferred tax asset of 728 kEUR (1,336 kEUR as of December 31, 2013) is recognized in the financial statements for the existing tax loss carryforwards of Artnet Worldwide Corporation. The tax rate used is 43% (2013: 43%), and represents the average income tax rate of Artnet Worldwide Corporation. The subsidiary has generated a taxable profit, and partly utilized tax loss carryforwards. The recognition of deferred tax assets on tax loss carryforwards is based on a three-year budget. Tax loss carryforwards can be used over a period of 20 years. Tax loss carryforwards of Artnet Worldwide Corporation in the amount 2.3 million EUR (2.8 million USD) will expire in 2018. The remaining unused tax loss carryforwards of Artnet Worldwide Corporation will expire in subsequent years. Artnet Worldwide Corporation reported a tax loss in the amount of 0.2 million EUR in the 2014 fiscal year; Management expects significant positive tax earnings in the future. There is no tax loss history yet, therefore, the conditions for the balance sheet recognition of deferred tax assets on tax loss carryforwards for Artnet Worldwide Corporation still exist. Due to the missed expectations of the previous years, the planned expectations for the deferred tax assets have been reduced, so that an impairment loss of 842 kEUR was expensed, compared to the previous carrying amount.

artnet AG has additional tax loss carryforwards for offsetting with corporation tax and commercial tax in the amount of 31.4 million EUR (12/31/2013: 29.7 million EUR). Due to the current organizational structure of the artnet Group, these tax loss carryforwards cannot be used under the German tax law.

In total, deferred taxes recognized relate to the following balance sheet items:

	Deferred Tax Assets 12/31/2014 kEUR	Deferred Tax Assets 12/31/2013 kEUR
Deferred Tax Assets	728	1,336
Fixed Assets	(134)	–
Accounts Receivable	134	8
Accrued Liabilities and Other Liabilities	–	42
Total	**728**	**1,386**

Tax Rate Reconciliation

The following table reconciles the expected income tax expense/(benefit) to the income tax expense presented in the financial statements.

The tax rate of 43% (2013: 43%) is the average income tax rate of the operating group Artnet Corp., because Artnet Corp. generates the taxable income of the Group companies.

	2014 kEUR	2013 kEUR
Earnings Before Tax from Continued Operations	(2,197)	45
Expected Income Tax Expense/(Benefit) — Tax Rate 43%	(945)	20
Non-Deductible Expenses and Other Effects	86	7
Tax Refunds from Previous Years	–	(22)
Non-Recognition of Deferred Tax Assets of Loss Carryforwards in Germany and the United States, and Tax Rate Differences	867	–
Adjustments for Deferred Tax Assets for Tax Loss Carryforwards from Previous Years	842	–
Income Tax Expense/(Benefit) as Presented on the Consolidated Statement of Comprehensive Income	850	5

9. Accounts Payable

Accounts payable is principally comprised of amounts outstanding for trade accounts and current costs. The average credit period taken for accounts payable is 30 days. The carrying amount of accounts payable approximates their fair value.

10. Accruals and Other Liabilities

Accruals and other liabilities consist of the following for the years presented:

	12/31/2014 EUR	12/31/2013 EUR
Outstanding Invoices	168,348	168,888
Bonus Payments	160,407	69,001
401(k) Payments	102,082	115,396
Taxes and Social Security	76,236	102,498
Accrued Vacation Pay	9,612	142,307
Other	63,970	20,563
Total	**580,655**	**618,654**

The decrease in residual paid-time-off entitlements is due to the change in the vacation policy of Artnet Worldwide Corporation. As such, a reversal of accrued liabilities for the Group occurred.

11. Provisions

Provisions in the amount of 1,085,540 EUR (2013: 119,677 EUR) were essentially created for possible indemnity payments due to copyright infringement for a French photographer granted by the Paris Court of Appeal in the second instance, and for a case on the same proceeding in Germany. Due to the legally valid and enforceable judgment, the accruals occur in the short term. However, artnet does not assume a cash outflow for these accruals in the 2015 fiscal year, due to the planned appeals.

In addition, this position includes a provision for a legal dispute with a former consultant. The outcome of this litigation cannot yet be predicted.

12. Liabilities from Finance Leases

Liabilities from finance leases occurred due to server lease agreements from previous years, other computer equipment, software, and new office and business equipment. At the end of the respective contractual period, there is a purchase option for Artnet Corp. The liabilities from finance leases are carried at the present value of the future lease payments using the discount rate on which the lease agreement is based. The leased assets include a server, other computer equipment, software, and new office and operating equipment. The minimum lease payments were reconciled to the present value as follows:

12/31/2014	Total EUR	< 1 year EUR	> 1–3 years EUR
Present Value of Minimum Lease Payments	231,492	185,415	46,077
Interest Portion	11,797	10,870	927
Minimum Lease Payments	**243,289**	**196,285**	**47,004**

12/31/2013	Total EUR	< 1 year EUR	> 1–3 years EUR
Present Value of Minimum Lease Payments	424,330	219,931	204,399
Interest Portion	40,099	24,571	15,528
Minimum Lease Payments	**464,429**	**244,502**	**219,927**

The carrying amount of liabilities from finance leases corresponds to their fair value.

13. Deferred Rent Incentive

Non-current liabilities from deferrals for the rent incentive relate to the advantages from rent-free periods in the amount of 309,240 EUR (2013: 256,137 EUR) for the office premises rented in New York as of December 31, 2014. Compared to the previous year, exchange rate effects are one of the reasons for the increase of the deferred income in euros.

14. Deferred Revenue

Customers make advanced payments for certain service contracts with artnet. The prepaid amounts are realized as sales revenue only when artnet provides the agreed service and includes the amount in the deferred revenue liabilities appropriate to the period. Deferred revenue as of December 31, 2014, amounted to 1,547,214 EUR, compared to 1,425,657 EUR in the previous year.

15. Equity

	12/31/2014	12/31/2013
Authorized No-Par Value Shares (accounting par value 1.00 EUR per share)	5,631,067	5,631,067
Issued and Fully-Paid No-Par Value Shares (accounting par value 1.00 EUR per share)	5,552,986	5,552,986
Treasury No-Par Value Shares	78,081	78,081

artnet AG has one class of ordinary bearer shares that carry no right to fixed income.

Authorized Capital

The Shareholders' Meeting of artnet AG on July 16, 2014, authorized the Board of Directors, with the approval of the Supervisory Board, to increase the capital stock by up to 2,800,000 EUR before July 15, 2019, through the issue of 2,800,000 new no-par value bearer shares in exchange for cash contributions or contributions in kind (Authorized Capital 2014).

No shares have been issued from the Authorized Capital 2014 at this point.

The authorized capital 2009/I expired during the reporting year. No shares have been issued from it.

Conditional Capital

As per the resolution of the Shareholder's Meeting on July 15, 2009, the registered capital was increased by up to 560,000 new no-par value shares (conditional capital 2009/I) to the Company's directors and management Management team members of affiliated companies and employees of artnet AG.

The authorized conditional capital 2009/I expired during the reporting year. No shares have been issued from it.

Treasury Shares

As of December 31, 2014, artnet AG held 78,081 of its own shares, representing 1.4% of common stock.

The Shareholders' Meeting of artnet AG on July 14, 2010, authorized the Board of Directors, with the approval of the Supervisory Board, to acquire its own shares until the end of July 13, 2015, up to a 10% stake in the current share capital. At no point may the acquired shares, together with other shares owned by the Company or attributable to the Company under Articles 71 et seq. AktG (German Stock Corporation Act), constitute more than 10% of the share capital. The time limit applies only to acquiring—and not holding—the shares.

16. Capital Management

The capital structure of the artnet Group consists essentially of current liabilities from current business transactions, long-term finance lease obligations, a shareholder's loan, and equity. Equity is attributable to the shareholders of the parent company, and consists primarily of issued shares, capital reserve, and the accumulated results of the Group. In addition, Artnet Corp. entered into various finance lease arrangements in the fiscal year and in the previous years, which will require payments over the next three to four years. Artnet Corp. also entered into an operating lease agreement for new office space, which will require payment over the next nine years. All other business activities are currently financed by the cash balance and the operating cash flows.

17. Financial Instruments and Risks Arising from Financial Instruments

Categories of Financial Instruments

The artnet Group's financial assets are cash and cash equivalents, accounts receivable, and rent security deposits. These financial assets are classified under the category "Loans and Receivables."

The Group's financial liabilities are accounts payable, other liabilities, and liabilities arising from finance leases. Accounts payable and other liabilities are measured at amortized cost. Liabilities arising from finance leases are measured by their present value of minimum lease payments in accordance with IAS 17.

Both the carrying amounts of financial assets and the carrying amounts of financial liabilities are a reasonable approximation of their fair value. No financial assets or financial liabilities were designated at fair value.

In the 2014 and 2013 business years, the artnet Group did not use any derivative financial instruments.

Net Results from Financial Assets and Liabilities

The following chart shows the net results arising from financial assets and liabilities:

	Net Results 2014 EUR	Net Results 2013 EUR
Loans and Receivables	(473,420)	(99,395)
Financial Liabilities	17,651	(13,795)
Total	**(455,769)**	**(113,190)**

The components of the net results are gains or losses from exchange rate differences, and bad debt expenses for doubtful accounts and write-offs. The significant negative net results for loans and receivables in 2014 accrued due to unrealized foreign exchange losses of 286 kEUR. During the previous year, foreign exchange gains in the amount of 96 kEUR occurred for this category.

Credit Risk

Credit risk refers to the risk in which a counterparty defaults on its contractual obligations, resulting in financial loss to the Group. The financial assets represent the artnet Group's maximum exposure to credit risk.

The artnet Group's credit risk is primarily attributable to its accounts receivable. The amount presented in the balance sheet is net of allowances for doubtful accounts, estimated by Management, based on the aging of the receivable portfolio and customer payment trends.

artnet has no significant concentration of default risk because the exposure is distributed over a large number of customers, including individuals and entities dealing in the Fine Art market. Nevertheless, the global economic downturn could negatively influence the solvency of the Group's customers, leading to an increase in the average credit period, or, at worst, leading to an increase in customer default. This would negatively affect the Group's earnings, as well as its financial position. artnet tries to counter such risks by agreeing to upfront payments with customers whenever possible.

Liquidity and Interest Risk

The liquidity risk is the risk that the artnet Group cannot meet financial obligations on the due date. Therefore, the aim is to provide sufficient liquidity to meet liabilities on time. To this end, the artnet Group is reliant on generating a positive cash flow from operating activities. Liquidity risk is constant (daily), revalued by using a deviation analysis of current and monthly cash equivalents as reported in the liquidity planning, which ensures a quick response to changes in the risk potential. Management expects a positive operating cash flow for the 2015 fiscal year, based mainly on planned sales increases. If the expected revenue increases do not occur, planned investments may be rescheduled, or their implementation may be extended.

The artnet Group faces no material interest rate risk. The Group's companies have several interest-bearing finance lease agreements in the amount of 231,492 EUR (2013: 424,330 EUR), and an interest-bearing shareholder loan in the amount of 500,000 EUR (2013: 500,000 EUR). Other current liabilities and accrued expenses have a remaining term of less than one year.

The gross cash flows arising from financial liabilities, including anticipated interest payments, are shown in the following chart:

12/31/2014	Carrying Amount EUR	Gross Cash Flow EUR	Gross Cash Flow EUR	Gross Cash Flow EUR
		Total	< 1 Year	> 1 Year
Liabilities at Amortized Costs	1,264,579	1,282,579	1,078,579	204,000
Liabilities from Finance Leases	231,492	243,289	196,285	47,004

12/31/2013	Carrying Amount EUR	Gross Cash Flow EUR	Gross Cash Flow EUR	Gross Cash Flow EUR
		Total	< 1 Year	> 1 Year
Liabilities at Amortized Costs	1,239,149	1,265,816	724,149	541,667
Liabilities from Finance Leases	424,330	464,429	244,502	219,927

As of December 31, 2014, liabilities at amortized cost included the shareholder loan, including accrued interest in the book value of 503,334 EUR (2013: 515,000 EUR).

Accruals are not financial instruments and are therefore not mentioned in the above calculation of liquidity risk under IFRS 7. It is assumed that the current provisions will lead to an outflow in the 2015 fiscal year. Exceptions are the provisions in the current provisions for legal disputes in France and Germany in the amount of 950,000 EUR for copyright violation of a photographer. artnet plans to take legal action and therefore assumes no cash outflow for these accruals in the 2015 fiscal year.

Market Risk—Interest Rate Risk

Market risks are mainly relevant in the form of foreign currency exchange risks for the Group's companies, as most of the revenues are generated in US dollars, but a certain amount of the costs of the Group's companies has to be paid in euros. The artnet Group controls these currency exchange risks by invoicing its European customers in euros, and using these cash payments to fulfill its obligations in the foreign currency. Besides the US-dollar-to-euro exchange rate risk, the artnet Group is also exposed to the US-dollar-to-British-pound exchange rate risk, but on a smaller scale.

The carrying amounts of the Group's monetary assets and monetary liabilities, denominated in currencies other than the US dollar at the reporting date, are as follows:

Foreign Currency	Financial Assets		Financial Liabilities	
	12/31/2014 kEUR	12/31/2013 kEUR	12/31/2014 kEUR	12/31/2013 kEUR
EUR	648	978	21	168
GBP	149	330	5	–

In addition, there are also intragroup receivables in euros from Artnet Worldwide Corporation against artnet AG in the amount of 2,178 kEUR as of December 31, 2014 (2013: 1,526 kEUR), of which the subsidiary in the United States has exchange rate risks. For these receivables, unrealized foreign exchange accrued in the amount of 244 kEUR, due to the weakening of the euro. This inter-company foreign currency loss has to be reported as an expense in the Group's profit and loss account according to IAS 21.45.

The following table details the Group's sensitivity to a 10% increase and decrease of the US dollar against the euro and the British pound. The sensitivity analysis includes only outstanding foreign-currency-denominated monetary items, and adjusts their translation at the balance sheet date in accordance with a 10% change in foreign currency rates. Included in the chart is also the exchange rate risk as mentioned above from the intragroup receivables. A positive number below indicates an increase in profit and other equity.

Against USD	EUR 12/31/2014 kEUR	EUR 12/31/2013 kEUR	GBP 12/31/2014 kEUR	GBP 12/31/2013 kEUR
+10%				
Result	(243)	(202)	(8)	(24)
Equity	(246)	20	(3)	(2)
-10%				
Result	298	246	10	29
Equity	225	241	3	3

Compared to December 31, 2013 (0.726 USD/EUR), the US dollar has increased in value against the euro as of December 31, 2014 (0.823 USD/EUR), by 13.4%.

Interest Rate Risk

The finance leases of the Group bear a fixed interest rate. As of

December 31, 2014, floating-rate liabilities are solely comprised of the interest rate limit of the shareholder loan. Therefore, the artnet Group is currently exposed only to an insignificant interest rate risk.

18. Share-Based Payments

Stock Option Plan

Conditional Capital 2009/I, which expired on July 14, 2014, served as the basis for the stock option plan, also resolved by the Shareholders' Meeting on July 15, 2009 (2009 stock option plan), comprising 560,000 shares of common stock with a nominal value of 1.00 EUR each.

In 2009, 2010, and 2014, stock options were granted to the Management and employees of the subsidiary Artnet Corp. from the 2009 stock option programs.

	Options		
	2014	2010	2009
Number of Options Granted	75,000	130,000	193,907
Share Price at the Time of Granting (EUR)	2.70	5.03	5.02
Weighted Average Exercise Price (EUR)	2.64	5.13	4.66
Weighted Average Performance Target (EUR)	2.90	5.64	5.13
Average Maturity (Years)	10	10	10
Risk-Free Rate (%)	0.59	1.27	3.40
Expected Average Volatility (%)	65	70	55
Expected Dividend Return	–	–	–
Fair Value of Options at the Time of Granting (EUR)	1.90	3.18	3.89
Fair Value of Options at the Time of Granting Total (EUR)	142,500	413,400	754,298

In the reporting year, the Company granted one employee of Artnet Worldwide Corporation 75,000 share options. The exercise price of the options granted during the financial year was 2.64 EUR. Therefore, the number of outstanding options increased from 323,907 in the previous year to 398,907 as of December 31, 2014. As in the previous year, the outstanding options for the years 2009 and 2010 could not be exercised, as the market price of the artnet shares were significantly below the respective exercise price. The options granted in 2014 may not be exercised for a two-year period (March 31, 2016). The weighted average exercise price for the outstanding options granted in 2009 and 2010 was 4.85 EUR on December 31, 2014, unchanged from the previous year. The outstanding options on December 31, 2013, had a weighted average remaining term of 5.91 years (December 31, 2013: 6.14 years).

The fair value of the stock options was calculated in 2009, 2010, and 2014 from the date on which the options were granted based on the binomial model, on the basis of the assumptions of the chart above.

The options can be exercised for the first time at the end of two years, beginning at midnight on the option allotment date, and then up until the end of their term; they expire 10 years after the grant date. Rights may not be exercised in the period from two weeks before the end of the quarter until the end of the first trading day after publication of the quarterly results, and also may not be exercised in the period from two weeks before the end of the fiscal year until the end of the first trading day after publication of the results for the past fiscal year.

The plan also sets out that rights may only be exercised if the closing market price determined before the date of the planned exercise of the option exceeds the exercise price by at least 10%. If this performance target has been reached on one occasion, the options can be exercised during the exercise periods, independent of further price development of the artnet shares over their term.

Expenses in the amount of 55,090 EUR were booked for share-based remunerations in the 2014 fiscal year, compared to 9,316 EUR in 2013.

19. Personnel Expenses

The consolidated statement of comprehensive income includes personnel expenses of discontinued divisions for the fiscal years stated in the following expense categories:

Personnel Expenses by Expense Category	2014 kEUR	2013 kEUR
Cost of Sales	3,454	3,867
Sales and Marketing	2,197	1,228
General and Administrative Expenses	1,496	1,370
Product Development	1,934	1,665
Total Personnel Expenses	**9,081**	**8,127**

The total personnel costs in the 2014 and 2013 fiscal years include social security expenses of 1,000 kEUR and 880 kEUR, and 401(k) expenses of 104 kEUR and 116 kEUR.

On average, the Group employed 116 full-time employees in 2014, as compared to 106 in the previous year. Additionally, the Group employed four part-time employees in 2014, as compared to six in the previous year. In sales and other departments, the Group had 11 freelancers, compared to six freelance employees in 2013.

The average number of employees in the 2014 and 2013 fiscal years was 131 and 125, respectively. The employees were engaged in the following activities:

	2014	2013
Cost of Sales	68	76
Sales and Marketing	33	18
General and Administrative Expenses	12	13
Product Development	18	18
Total	**131**	**125**

20. Defined Contribution Plans

The subsidiary Artnet Corp. has a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code of the United States for all qualifying employees. The assets of the plan are held separately from those of Artnet Corp. in funds under the control of the trustees. Participating employees may contribute up to 100% of their annual salary, but not more than statutory limits. Artnet Corp. has a discretionary matching contribution each year. In 2014, the matching contributions were 104 kEUR, compared to 116 kEUR in the previous year.

21. Earnings Per Share

Basic earnings per share are calculated by dividing net income by the weighted average number of outstanding common shares during the year.

Diluted earnings per share are calculated in the same manner as basic earnings per share, with the exception that the average number of outstanding shares increases by adding the potential number of shares from stock option conversions.

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

	2014 EUR	2013 EUR
Numerator (Earnings): Net income for the fiscal year	(3,047,392)	40,470
Denominator (Number of Shares): Weighted average number of ordinary shares used to calculate basic earnings per share (issued and fully paid ordinary shares)	5,552,986	5,552,986
Effect of potential dilutive shares from stock options	–	–
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,552,986	5,552,986

The weighted average share price of stock options (4.43 EUR) is higher than the weighted average exercise price in 2014 (2.89 EUR). As a result, there are no diluted shares.

22. Other Disclosures on the Consolidated Statement of Comprehensive Income

Net Operating Income

The net operating income stated results after the deduction of the following operating expenses:

	2014 kEUR	2013 kEUR
Scheduled Amortization/Depreciation	407	440
Personnel Expenses	9,081	8,127

Scheduled depreciation and amortization are presented in the consolidated statement of comprehensive income as part of the cost of sales. The breakdown of the amortization of intangible assets and tangible assets is listed in sections 6 and 7 of the consolidated notes.

Expenses for Litigation Risks

In this separate item in the consolidated statement of comprehensive income, the expenses for a possible indemnity payment in the amount of 950 kEUR to a French photographer, ordered in the second instance by the Paris Court of Appeal, and a pending proceeding for the same case in Germany, are included.

Other Income and Expenses

During the year under review, other income and expenses mainly include the realized and unrealized income from exchange rate fluctuations in the amount of 286 kEUR. This loss is offset by income due to the termination of vacation accruals (165 kEUR), which resulted from a new vacation policy for the employees of Artnet Worldwide Corporation in New York. As per this new regulation, employees have more vacation days, but the remaining days of vacation cannot be transferred to the next year. In addition, prior-year income in the amount of 52 kEUR was incurred in 2014. In 2013, other income mainly included realized and unrealized income from exchange rate fluctuations and insurance reimbursement in the amount of 12 kEUR, which were offset by prior-year expenses in the amount of 32 kEUR.

Financial Result

The financial result in 2014 primarily includes interest expenses for liabilities from finance leases in the amount of 31 kEUR (2013: 35 kEUR), and for the shareholder loan of 20 kEUR, granted in 2013 (2013: 15 kEUR).

23. Segment Reporting

The Group reports on the operating segments in the same way it reports operating segment information to the Management and Supervisory boards.

The Group's reporting is based on the following four segments:

- The artnet Gallery Network segment presents artwork from member galleries online
- The artnet Price Database comprises all database-related products, including the artnet Price Database Fine Art and Design and the artnet Price Database Decorative Art, as well as the products based thereupon, including artnet Market Alerts, artnet Market Reports, artnet Monographs, and, since 2012, artnet Analytics
- artnet Advertising produces banner as well as national and international advertising on the website
- artnet Auctions provides a platform to buy and sell artworks online

The control of the segment performance is evaluated based on operating profit. Non-directly attributable expenses are allocated to the reportable segments, based primarily on the headcount and revenue for each reportable segment.

An assignment of assets or liabilities for each reportable segment is not provided to the Management. Therefore, segment-related assets and liabilities are not shown.

Presentation of Segment Reporting

2014 EUR	artnet Gallery Network	artnet Price Database	artnet Auctions	artnet Advertising	Total
Revenue	4,477,017	5,628,167	2,374,014	1,427,447	13,906,644
Cost of Sales	1,399,305	1,484,062	2,213,349	474,577	5,571,293
Gross Profit	**3,077,712**	**4,144,105**	**160,665**	**952,869**	**8,335,351**
Operating Expenses					
Sales and Marketing	1,036,722	1,226,644	571,203	353,654	3,188,224
General and Administrative	990,329	1,035,870	839,011	340,623	3,205,834
Product Development	764,359	799,507	647,568	262,901	2,474,335
Remuneration from Stock Options	17,018	17,801	14,418	5,853	55,090
Total Operating Expenses	**2,808,429**	**3,079,822**	**2,072,200**	**963,031**	**8,923,482**
Profit Before Tax	**269,283**	**1,064,283**	**(1,911,535)**	**(10,162)**	**(588,131)**

2013 EUR	artnet Gallery Network	artnet Price Database	artnet Auctions	artnet Advertising	Total
Revenue	4,747,578	5,094,173	2,098,961	1,027,745	12,968,457
Cost of Sales	1,520,509	1,840,028	2,064,893	317,097	5,742,528
Gross Profit	**3,227,068**	**3,254,144**	**34,068**	**710,648**	**7,225,929**
Operating Expenses					
Sales and Marketing	601,121	773,202	334,729	125,329	1,834,381
General and Administrative	1,024,447	1,244,755	826,745	216,292	3,312,280
Product Development	636,334	773,147	513,511	134,344	2,057,335
Remuneration from Stock Options	2,881	3,501	2,325	608	9,316
Total Operating Expenses	**2,264,825**	**2,794,604**	**1,677,310**	**476,573**	**7,213,312**
Profit Before Tax	**962,244**	**459,541**	**(1,643,242)**	**234,075**	**12,617**

The individual segments mostly include the following non-cash expenses:

2014 EUR	artnet Gallery Network	artnet Price Database	artnet Auctions	artnet Advertising	Total
Scheduled Amortization	125,919	131,710	106,679	43,310	407,618
Allowance for Bad Debts	84,574	106,320	44,847	26,966	262,707

2013 EUR	artnet Gallery Network	artnet Price Database	artnet Auctions	artnet Advertising	Total
Scheduled Amortization	136,006	165,248	109,755	28,714	439,723
Allowance for Bad Debts	77,012	82,634	34,048	16,671	210,366

24. Information by Geographic Region

The Group's operations are primarily located in the United States, represented by the subsidiary, Artnet Corp.

The following table provides an analysis of the Group's revenue by geographic market:

Revenue	2014 kEUR	2013 kEUR
USA	7,554	6,483
Europe	5,124	3,994
Other	1,229	2,491
Total	**13,907**	**12,968**

Assets by Geographic Region

The following table presents an analysis of the carrying amount of the Group's assets, and additions to property and equipment and intangible assets, analyzed by the geographic region in which the assets are located.

	Carrying Amounts of Assets		Additions to Fixed Assets	
	12/31/2014 kEUR	12/31/2013 kEUR	12/31/2014 kEUR	12/31/2013 kEUR
United States	4,444	5,815	161	304
Germany	119	174	–	–
Great Britain	35	27	–	–
France	29	23	–	–
Total	**4,627**	**6,039**	**161**	**304**

The segment results and liabilities of the Group are not allocated by geographic region, as this is not possible in a meaningful way.

The Group's companies' scheduled and non-scheduled amortization/depreciation was mostly due to the Group's non-current assets in the United States in the amount of 930 kEUR (2013: 416 kEUR).

25. Operating Leases

Artnet Corp. has rented its offices in New York as part of non-cancelable leases (operating leases) with a term through April 30, 2022.

For the office in Berlin, the Group has the option to renew the lease by up to six years. artnet UK Ltd. leases its London office as part of an anytime-cancelable lease.

As of December 31, 2014 and 2013, under the existing rental agreements result, the minimum rental payments are required in the following amounts:

Lease Payments	12/31/2014 kEUR	12/31/2013 kEUR
Expiring in less than One Year	809	665
Expiring Between Two and Five Years	3,164	2,772
Expiring in more than Five Years	2,912	3,303
Total	**6,885**	**6,740**

Rent expenses for the Group in the fiscal year were 737 kEUR, and 731 kEUR in the previous year.

26. Auditor's Fees

Auditor's fees, including travel expenses, for the audit of the statutory financial statements of the Company and the consolidated financial statements amounted to 63,186 EUR in 2014, and 60,000 EUR in the previous year. In addition, the Company recorded 18,529 EUR in 2014, and 22,426 EUR in 2013, for other services. All fees are recognized as expenses in 2014 and 2013, respectively.

27. Related-Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Management Board

Jacob Pabst is the CEO of artnet AG and Artnet Worldwide Corporation.

In the 2014 and 2013 fiscal years, Mr. Pabst received from the Management Board of Artnet Worldwide Corporation the following remuneration:

	2014 EUR	2013 EUR
Fixed Salary	235,469	225,960
Value of Additional Payments (Health Insurance)	8,859	5,400
Fixed Remuneration Components	244,327	231,360
Bonus (Variable Compensation)	–	–
Total	**244,327**	**231,360**

Supervisory Board

- John D. Hushon, Naples, Florida, USA, Chairman
- Hans Neuendorf, Berlin, Germany, Deputy Chairman
- Piroschka Dossi, Munich, Germany

Mr. Neuendorf, and companies under his control, own 1,523,551 shares of artnet AG.

Mr. Hushon holds 53,054 shares of artnet AG.

Remunerations in the following amounts were paid to the members of the Supervisory Board in the 2014 and 2013 fiscal years:

	2014 EUR	2013 EUR
John D. Hushon	50,000	50,000
Hans Neuendorf	37,500	18,750
Piroschka Dossi	25,000	10,417
Prof. Dr. Walter Rust	–	21,875
Dr. Jochen Gutbrod	–	8,333
Total	**112,500**	**109,375**

The remuneration report outlines the principles used for determining the compensation of the Supervisory Board of artnet AG. In addition, the report describes the policies and levels of compensation paid to Supervisory Board members.

Other Transactions with Related Parties

The recognized liabilities as of the same date of the previous year in the amount of 160,500 EUR coming from the consulting agreement dated June 12, 2013, with Galerie Neuendorf AG have been repaid as scheduled during the reporting year.

During the fiscal year, Hans Neuendorf sold seven artworks on the online auction platform artnet Auctions. In accordance with the current terms and conditions, non-sales commissions were accrued for those sales, as the value of these paintings was more than 10,000 USD.

On March 28, 2013, the main shareholder of the Company, Hans Neuendorf, granted a loan at better-than-market conditions in the amount of 500,000 EUR, repayable by May 1, 2015. The loan is subject to a floating interest rate (30 day LIBOR plus 200 basis points), with a minimum interest rate of 4% per year, and is not collateralized. The interest expense of this loan amounted to 20,000 EUR in 2014. The interest rate paid on this loan amounted to 20,000 EUR in the 2014 fiscal year. In the reporting year, interest (including interest from 2013 in the amount of 15,000 EUR) in the amount of 31,666 EUR was paid. On November 6, 2014, the two parties agreed on repaying the loan in 20 equal monthly installments of 25,000 EUR, starting on January 31, 2015, until August 31, 2016, under the conditions that the cash and bank position is 1.5 million USD for the respective month. For each month, where the minimum cash balance is not given and no repayment is made, the loan will extend one more month.

Ms. Sophie Neuendorf, a related party of Mr. Neuendorf, works for artnet AG/Artnet Worldwide Corporation as the director of social media. During the 2014 fiscal year, her salary totaled 52,564 EUR, and 44,146 EUR in 2013.

Mr. Henri Neuendorf, a related party of Mr. Neuendorf, worked for Artnet Worldwide Corp. as a freelance journalist for the news platform, artnet News of Artnet Worldwide Corporation. His remuneration totaled 8,931 EUR in 2014.

Ms. Caroline Neuendorf, who is a related party of Mr. Neuendorf, was paid commission for the sale of artnet Monographs in 2014 in the amount of 800 EUR (2013: 800 EUR), which was reported as an expense in sales and marketing.

28. Accounting Estimates and Judgments

The preparation of the Group's consolidated financial statements requires Management estimates and assumptions that affect reported amounts and related disclosures. All estimates and assumptions are made to the best of Management's knowledge in order to fairly present the Group's financial position and results of operations. The following accounting policies are significantly impacted by Management's estimates and judgments:

Deferred Tax Assets

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of Management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The amount of deferred tax assets could be reduced if projected future taxable profits are lowered.

Capitalized Costs of Website Development

Capitalized website development costs relate to new products, material additions, or improvements to the website that the Company anticipates will produce revenue in the future. These costs include consulting fees and salaries. The revenue projections for these new products are based on Management's best estimates, but actual results could vary from projections.

Impairment Test for artnet Analytics

The impairment test is based on assumptions concerning future cash inflows. Cash flow expectations are based on the Management's best estimates. However, the actual amounts could differ from those projected.

Provisions

Based on reasonable estimates, provisions for possible legal issues have been formed. Evaluations from external experts such as lawyers or tax consultants have been reviewed for the evaluation. Any differences between the original estimate and the actual outcome in the respective period can have an impact on the net assets, financial position, and results of operations. It is assumed that, for current provisions, an outflow in the 2015 fiscal year will happen. Exceptions are the amounts reported in current provisions for litigation in France and Germany in the amount of 950 kEUR in connection with the claimed infringement of copyright by a photographer. Contrary to the short-term disclosure, artnet does not expect a cash outflow for these provisions for the planned legal actions in the 2015 fiscal year. There are significant uncertain estimations regarding when, if, and how much of a cash outflow will happen.

29. Significant Events After the Balance Sheet Date

In March 2015, the Paris Court of Appeal ordered artnet AG, artnet France sarl, and Artnet Worldwide Corporation to make an indemnity payment in the amount of 764,412 EUR to a French photographer. The court considered it proven that artnet AG, artnet France sarl, and Artnet Worldwide Corporation violated the copyright of the photographer in France by publishing photographs in the artnet Price Database. artnet will take legal action against the judgment in an appeal to the French Court of Cassation.

No other reportable events of significance for the net assets, financial position, and results of the artnet Group have occurred after the balance sheet date.

30. Notifications According to the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act)

According to § 21 WpHG shareholders are required to report when the level of their shareholdings exceed or fall below certain thresholds. The thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75%.

artnet AG was notified about the following notification of voting rights as per § 26 WpHG:

January 2, 2014

1. Redline Capital Management S.A. with its registered office in Luxemburg, Luxemburg, informed us on December 27, 2013, that its share of the voting rights in artnet AG fell below the threshold of 3% on December 24, 2013, and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Instacom International S.A. SPF with its registered office in Luxemburg, Luxemburg, informed us on December 27, 2013, that its share of the voting rights in artnet AG fell below the threshold of 3% on December 24, 2013, and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

3. Mr. Vladimir Evtushenkov, Russia, informed us on December 27, 2013, that his share of the voting rights in artnet AG fell below the

threshold of 3% on December 24, 2013, and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

January 2, 2014

1. Skate Capital Corp. with its registered office in Road Town, Tortola, British Virgin Islands, informed us on December 27, 2013, that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on December 27, 2013, and on this date amounts to 5.68% (320,035 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Mr. Sergey Skaterschikov, Russia, informed us on December 27, 2013, that his share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on December 27, 2013, and on this date amounts to 5.68%, (320,035 voting rights of the total of 5,631,067 voting rights in artnet AG). The entire voting rights are attributable to Mr. Sergey Skaterschikov pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG via Skate Capital Corp.

January 8, 2014

1. Weng Fine Art AG with its registered office in Krefeld, Germany, informed us on January 4, 2014, that its share of the voting rights in artnet AG fell below the threshold of 5% on December 28, 2013, and on this date amounts to 3.55% (200,000 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Mr. Rüdiger K. Weng, Germany, informed us on January 4, 2014, that his share of the voting rights in artnet AG fell below the threshold of 5% on December 28, 2013, and on this date amounts to 3.55%, (200,000 voting rights of the total of 5,631,067 voting rights in artnet AG). The entire voting rights are attributable to Mr. Rüdiger K. Weng pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG via Weng Fine Art AG.

February 24, 2014

1. Skate Capital Corp. with its registered office in Road Town, Tortola, British Virgin Islands, informed us on February 19, 2014 that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on February 14, 2014 and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Mr. Sergey Skaterschikov, Russia, informed us on February 19, 2014, that his share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounts to 0.00%, (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

February 24, 2014

1. Abbey House Group S.A. with its registered office in Warsaw, Poland, informed us February 19, 2014 that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 2.60% (146,574 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey House Group S.A. pursuant to Section 22 para. 2 WpHG.

2. Abbey Asset Management Sp. z o.o. SKA with its registered office in Warsaw, Poland, informed us February 19, 2014, that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 7.62% (429,330 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Asset Management Sp. z o.o. SKA pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

3. Abbey Asset Management Sp. z o.o. 2 SKA with its registered office in Warsaw, Poland, informed us February 19, 2014, that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 7.79% (438,804 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Asset Management 2 Sp. z o.o. SKA pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder

whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

4. Abbey Asset Management Sp. z o.o. 3 SKA with its registered office in Warsaw, Poland, informed us February 19, 2014, that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 6.84% (385,119 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Asset Management 3 Sp. z o.o. SKA pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

5. Abbey Asset Management Sp. z o.o. with its registered office in Warsaw, Poland, informed us February 21, 2014 that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 2.60% (146,574 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Asset Management Sp. z o.o. pursuant to Section 22 para. 1 sent. 1 no. 1 WpHG. Furthermore, of this total, 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Asset Management Sp. z o.o. pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

6. Kenedix Investments Limited with its registered office in Nicosia, Cyprus, informed us February 21, 2014 that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014 and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 2.60% (146,574 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Kenedix Investments Limited pursuant to Section 22 para. 1 sent. 1 no. 1 WpHG. Furthermore, of this total, 5.68% (320,035 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Kenedix Investments Limited pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

7. Mr. Ioannis Zavros, Cyprus, informed us February 21, 2014, that his share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 2.60% (146,574 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Mr. Zavros pursuant to Section 22 para. 1 sent. 1 no. 1 WpHG. Furthermore, of this total, 5.68% (320,035 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Mr. Zavros pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

8. Abbey Art Fund FIZAN with its registered office in Warsaw, Poland, informed us February 21, 2014, that its share of the voting rights in artnet AG exceeded the thresholds of 3% and 5% on February 14, 2014, and on this date amounted to 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG). Of this total, 2.60% (146,574 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Art Fund FIZAN pursuant to Section 22 para. 1 sent. 1 no. 1 WpHG. Furthermore, of this total, 8.29% (466,609 voting rights of the total of 5,631,067 voting rights in artnet AG) are attributed to Abbey Art Fund FIZAN pursuant to Section 22 para. 2 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Abbey House Group S.A.

April 4, 2014

1. Abbey Asset Management Sp. z o.o. SKA with its registered office in Warsaw, Poland, informed us on April 2, 2014, that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014 and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Abbey Asset Management Sp. z o.o. 2 SKA with its registered office in Warsaw, Poland, informed us on April 2, 2014, that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014 and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG)

3. Abbey Asset Management Sp. z o.o. 3 SKA with its registered office in Warsaw, Poland, informed us on April 2, 2014, that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014 and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

4. Abbey Asset Management Sp. z o.o. with its registered office in Warsaw, Poland, informed us on April 2, 2014, that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014 and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

5. Kenedix Investments Limited with its registered office in Nicosia, Cyprus, informed us on April 2, 2014, that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014, and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

6. Mr. Ioannis Zavros, Cyprus, informed us on April 2, 2014, that his share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014, and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

7. Abbey Art Fund FIZAN with its registered office in Warsaw, Poland, informed us on April 2, 2014, that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on April 2, 2014, and on this date amounts to 0.00% (0 voting rights of the total of 5,631,067 voting rights in artnet AG).

June 4, 2014

1. Weng Fine Art AG with its registered office in Krefeld, Germany, informed us on June 2, 2014, that its share of the voting rights in artnet AG exceeded the threshold of 5% on May 30, 2014, and on this date amounts to 5.01% (282,000 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Mr. Rüdiger K. Weng, Germany, informed us on June 2, 2014, that his share of the voting rights in artnet AG exceeded the threshold of 5% on May 28, 2014, and on this date amounts to 5.02%, (282,400 voting rights of the total of 5,631,067 voting rights in artnet AG). The entire voting rights are attributable to Mr. Rüdiger K. Weng pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Weng Fine Art AG.

The Company has published this information on its investor relations page online.

Berlin, April 22, 2015

Jacob Pabst
CEO, artnet AG

English Translation of the Independent Auditors' Report

We have audited the consolidated financial statements prepared by artnet AG, Berlin, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) German Commercial Code (HGB) are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch; "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework, and in the Group management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German Commercial Law pursuant to § 315a (1) HGB, and give a true and fair view of the net assets, financial position, and results of operations of the Group, in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position, and suitably presents the opportunities and risks of future development.

Without qualifying our opinion, we refer to the deliberations of the Management Board concerning the liquidity risk in the risk reporting section of the Group management report. There it is stated that it could lead to liquidity risks, which could endanger the Group as a going concern if the sentence to damages of 0.8 million EUR by an appeal court in France would have to be paid on a short-term basis. The Management Board intends to take legal actions against the decision of the court and does not expect a cash outflow because of the sentence in 2015.

Hamburg, April 22, 2015

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Thomas Götze	Dirk Schützenmeister
Wirtschaftsprüfer	Wirtschaftsprüfer

Management

Jacob Pabst

CEO, artnet AG and Artnet Worldwide Corporation

Jacob Pabst held various leadership roles at artnet before taking on the position of CEO. In 2000, Jacob came to artnet with a background in economics, and began doing sales in Europe. He quickly became involved as a leader in product development and new technologies. He was appointed chief information officer in 2009, and became responsible for product development, engineering, content management, SEO, and quality assurance. Jacob held this position until January 2012, at which time he became president of Artnet Worldwide Corporation, and led operations in New York. Under his direction, artnet launched several new products, including artnet Auctions, artnet News, and artnet Analytics.

Thierry Dumoulin

Vice President of Marketing, Artnet Worldwide Corporation

The vice president of marketing, Thierry Dumoulin, joined artnet from Saatchi & Saatchi X, where he was the managing director of their New York office. He has previously worked at global communications networks such as Bates, JWT, and Imagination, as well as at Sotheby's. He works to increase awareness of the artnet brand and products among our key target groups.

Benjamin Genocchio

Editor in Chief of artnet News, Artnet Worldwide Corporation

The editor-in-chief of artnet News, Benjamin Genocchio, is a widely respected writer and editor, with two decades of experience in both the print and online art news business. He began his career in his native Australia as a reporter, critic, and, later, correspondent for *The Australian* newspaper before moving to New York in 2002 to write for *The New York Times*. In 2010, he became editorial director of Louise Blouin Media, assuming the posts of editor-in-chief of *Art + Auction* magazine and the website BLOUIN ARTINFO. In January 2014, Ben joined artnet to build, staff, and launch artnet News, the first 24-hour global art news and market website. He holds a PhD in art history, and is the author and editor of several books on Contemporary Art and artists.

C. Cornell DeWitt

Vice President of Business Development, Artnet Worldwide Corporation

For 20 years, C. Cornell DeWitt has been at the forefront of connecting audiences and art. Since co-founding one of the first online art galleries in 1995, he has also owned and operated an eponymous gallery in New York, acted as director of a major international gallery, curated exhibitions, advised private collectors, and dealt in the primary and secondary markets. Between 2010 and 2013, he served as director of PULSE Contemporary Art Fair in Miami and New York. He has a master's degree from New York University, where he has also served on the faculty. In his role as vice president of business development, DeWitt's focus is to develop artnet's unparalleled market reach and knowledge into improved performance for its clients and partners.

Saumin Patel

Vice President of Technology, Artnet Worldwide Corporation

The vice president of technology, Saumin Patel, has 17 years of experience in various technologies and industries, including entertainment and healthcare. He has been with artnet for seven years, and, before coming to artnet, was a software architect at A.D.A.M. Inc. Saumin is responsible for managing the technology department, which is comprised of a software development team, an IT operations team, and a product management team. He leads the development, execution, and delivery of product and technology strategy.

Michael Probst

Vice President of Finance, Artnet Worldwide Corporation

The vice president of finance, Michael Probst, has a degree in economics and law from Lüneburg University in Germany, with a focus on tax advisory and auditing. He brings a wealth of experience in financial planning and analysis. It is his responsibility to enhance the Company's profitability through more insightful and rigorous financial processes, such as optimized treasury management.

Roxanna Zarnegar

Senior Vice President of artnet Auctions, Artnet Worldwide Corporation

The senior vice president of artnet Auctions, Roxanna Zarnegar, has a wealth of experience and a proven track record, both within the art world and with Fortune 500 clients. Before helping world-renowned branding agency Baron & Baron optimize their business, Roxanna was a chief operating officer at Christie's Americas, where she was responsible for client services, auction and gallery operations, logistics, and production. Since joining artnet in January 2014, Roxanna has led the client experience, strategy, and development of artnet Auctions & Private Sales.

artnet AG
Supervisory Board
John Hushon, Chairman
Hans Neuendorf, Deputy Chairman
Piroschka Dossi
Management Board
Jacob Pabst, CEO

Artnet Worldwide Corporation
Jacob Pabst, CEO

artnet France sarl
Jacob Pabst, CEO

artnet UK Ltd.
Jacob Pabst, CEO

Addresses

artnet AG
Oranienstraße 164
10969 Berlin
info@artnet.de
T: +49 (0)30 209 178-0
F: +49 (0)30 209 178-29

Artnet Worldwide Corporation
233 Broadway, 26th Floor
New York, NY 10279
USA
info@artnet.com
T: +1-212-497-9700
F: +1-212-497-9707

artnet UK Ltd.
Morrell House
98 Curtain Road
London EC2A 3AF
United Kingdom
info@artnet.co.uk
T: +44 (0)20 7729 0824
F: +44 (0)20 7033 9077

Investor Relations

You can find information for investors and the annual financial statements at artnet.com/investor-relations.

If you have further queries, please send an email to ir@artnet.com, or send your inquiry by mail to one of our offices.

German Securities Code Number

The common stock of artnet AG is traded on the Prime Standard of the Frankfurt Stock Exchange under the symbol "ART." You can find notices of relevant company developments at artnet.com/investor-relations.

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