artnet AG

Annual Report 2012

Financial Key Figures artnet Group (in TEUR)

	12/31/2012	12/31/2011	Difference (Balance)
Revenue	13,488	13,245	2%
Profit from Operations	(670)	900	(174%)
Earnings Before Income Taxes	(1,378)	758	(282%)
Earnings of Continued Operations	(1,399)	1,001	(240%)
Earnings of Discontinued Operations	(1,028)	(970)	6%
Earnings per Share of Continued Operations (diluted) in Euros	(0.25)	0.18	(239%)
Earnings per Share of Discontinued Operations (diluted) in Euros	(0.18)	(0.17)	6%
Weighted Number of Shares (diluted) in Thousands	5,557	5,557	0%
Cash Flow from Operating Activities	(457)	402	(214%)
Staff (Year End)	118	114	4%
Cash and Cash Equivalents	753	2,112	(64%)
Equity	2,368	4,752	(50%)
Total Assets	6,009	7,437	(19%)

Shares artnet AG (EUR)

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Jacob Pabst
Chairman and CEO, artnet AG

Dear Shareholders,

2012 was a very challenging yet exciting year for artnet. It was marked by a number of events, which had both positive and negative effects on the company.

The press repeatedly reported record art sales at the high end of the market last year, but economic conditions remained difficult for most companies and consumers, including galleries, our main client group. The ongoing effects of the Euro crisis—and before that, the real estate crisis—continue to impact our clients, and, as a result, our business is still in the process of recovering.

In addition, 2012 saw the restructuring of nearly every department within the company. We recruited a fresh sales team, implemented a more efficient pricing system, and closely examined and optimized all processes. I am proud to have assembled a rejuvenated professional management team that is rich in talent and experience, and is united in its commitment to the company's vision and strategy.

Unfortunately, that vision no longer includes *artnet Magazine*. In 2012, we shut down the two segments that were not profitable: the magazine and the Paris office. We had to be realistic about the potential of generating profits from online publishing. While we are sad to see the magazine go after 16 years, we are proud of its history, and look forward to focusing our energies on our core products. France will continue to be an important market for us, and we are confident that we can service it well from Berlin and from our headquarters in New York City.

Furthermore, we were the target of a hostile takeover attempt, which distracted the management and damaged our reputation. The attack was prepared over a long period of time and was accompanied by a spurious press campaign, which was designed to drive down the share price and erode shareholders' confidence in artnet. The strategy failed, however, and management prevailed at the Annual General Meeting. In order to undo the damage, we have significantly strengthened our marketing department, and are redoubling our effort to keep artnet's reputation as a powerful and cutting-edge company.

A host of new competitors surfaced in 2012 that together had a negative effect on artnet's performance by offering alternative services to our customers. Based on our analyses, these competitors have yet to have any significant traffic or revenue. While each of these competitors attempt to compete with us in one or more product segments, none of them offer our full range of products and services. We are the leading resource for the art world online because we offer all of the necessary tools to buy, sell, and value art. These companies are also competing with each other, and the press they are receiving through their marketing campaigns is also attracting attention to artnet, and to the innovation that we have brought to the art market. artnet sees competition as a driving force for success.

Another obstacle that artnet faced this year was the relocation of over 100 New York employees. After 10 years at 61 Broadway, our lease expired, and we took advantage of a favorable offer to relocate to the historic Woolworth building, where we lease a larger, better equipped, and more suitable space at a lower cost per square foot.

2012 was a challenging year for artnet, but it was also productive, efficient, and ultimately transformational. I'm proud to say that we have put all of the obstacles from 2011 and 2012 behind us and managed to lay the foundation for future growth.

Upon completion of the restructuring and optimization of our products and processes, we expect a solid growth in revenue. All of our products show considerable potential, from the established *artnet Price Database* to the newest products, such as *artnet Auctions* or *artnet Analytics* Reports.

In 2013, we will focus on building our brand, revamping our company's image in the industry, and spreading knowledge of our products to collectors around the world. This is the main goal of the artnet website redesign. The new site will include an overhaul of artnet's search technology, a simplified navigation, a more intuitive user experience, and a completely new design, created by one of the world's leading design agencies, based in London. The redesigned artnet site will launch at the end of the year.

artnet Auctions is the first online auctions platform exclusively for Fine Art. Collectors can buy and sell art with instant turnaround, better market information, and lower commissions. These competitive advantages continue to pay off. We want to keep improving the average sale price and volume, and we expect a double-digit increase in revenue by 2014.

Over the course of the year, *artnet Galleries* introduced a new price model, restructured subscription types, and targeted marketing and sales initiatives. Through these efforts, we aim to grow our gallery network and gain further exposure for our current users.

The *artnet Price Database*, including the subset of *artnet Analytics*, will also benefit from a new price structure.

artnet Advertising suffered last year, in large part because of the restructuring measures, which are fortunately behind us now. We plan to reach the sales level of 2011 by working with new sales partners and taking targeted marketing and sales measures.

We start the year united behind a proven strategy that we are certain will quickly yield a substantial improvement in our financial results. We at artnet have led the expansion of the art world online, and will continue to do so as the online market grows every year.

Yours sincerely,

Jacob Pabst

Chairman and CEO, artnet AG

Core Statement

artnet is an international transaction platform for the art market. *artnet Auctions* allows immediate transactions, the *artnet Price Database* offers objective price information, and *artnet Galleries* provides a global market overview.

In 2008, artnet grew from a B2B stalwart to a C2C marketplace with the addition of *artnet Auctions*, the first online auctions platform exclusively for Fine Art. The artnet information services provide a knowledge edge for *artnet Auctions*. The players participating in the auctions are potential new buyers in the *artnet Galleries*, as well as potential new subscribers to other artnet products. On *artnet Auctions*, the art collectors can both buy and sell art. artnet is synonymous with efficient online art dealing.

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 had moved the *artnet Price Database* and *artnet Galleries* online by the mid-1990s.

artnet has modernized the art business more than any other company. The artnet products provide reliable information and transparent commercial terms for collectors, gallery owners, museums, and investors, and have developed to become an indispensable tool 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 a response to the decentralized art market at the end of the 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 on a relatively inefficient market by tens of thousands of geographically dispersed art dealers, galleries, auction houses, book publishers, museums, and collectors. The *artnet Price Database* provides these local markets with a global standard of comparison. The *artnet Price Database Fine Art and Design* lists the auction results of more than 270,000 artists and designers. Since 2009, the database has been enhanced with the *artnet Price Database Decorative Art*, which contains the results of international antique auctions. The *artnet Price Database* records a total of 7 million auction results taken from 1,400 international auction houses, dating back to 1985.

A further pillar in the artnet business is *artnet Galleries*, which was introduced in 1995. With 1,700 galleries presenting approximately 170,000 artworks by nearly 35,000 artists from around the globe, this product offers the most comprehensive gallery network. *artnet Galleries* serves dealers and art buyers in equal measure by giving them an overview of the global market, prices, and price trends, and allowing them to be in direct contact with the gallery.

artnet created a modern and efficient platform for art dealing in 2008 with *artnet Auctions*, which has modernized the auction business with faster processing and lower costs. This platform is available around the clock at www.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.

With the development of the artnet iPhone App, artnet products are also available via mobile Internet, thereby offering customers even greater flexibility in the art business.

artnet's success has enabled the company to grow in different markets. The company was first listed as artnet.com AG on the Neuer Markt of the Frankfurt Stock Exchange in 1999. artnet.com AG changed its name to artnet AG in 2002, and was traded on the Geregelter Markt (Regulated Market) of the Frankfurt Stock Exchange on October 4, 2002. artnet AG has been listed in the Prime Standard of the Frankfurt Stock Exchange, the segment with the highest transparency standards, since February 1, 2007.

An office was opened in London on November 1, 2007, with the formation of artnet UK Ltd., the UK subsidiary of Artnet Worldwide Corporation. On July 3, 2008, Artnet Worldwide Corporation formed artnet France sarl. artnet AG and its subsidiaries employ a total of 135 people.

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 at the Frankfurt Stock Exchange, a segment of the EUregulated Geregelter Markt. Effective February 1, 2007, artnet AG is now listed in the Prime Standard of the Frankfurt Stock Exchange. 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 Standards (IFRS).

Report of the Supervisory Board

The Supervisory Board performed its duties according to the law and the articles of incorporation during the year under review and supervised the management. In the year 2012, the Supervisory Board held six meetings, with all of the members attending all of the meetings. It received regular, detailed Information throughout the entire year in written 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 semiannual reports and the detailed results from the individual segments were discussed with the Management Board. The Management Board discussed issues of fundamental importance for Corporate policy on an ongoing basis with the Supervisory Board. The Supervisory Board has not formed any committees. Dr. Gutbrod and Dr. Rust were re-elected to the Supervisory Board at the Annual General Meeting in August 2012.

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 addition, economic and technical issues for the individual divisions (*artnet Price Database*, *artnet Auctions*, *artnet Galleries*, and *artnet Analytics*) were discussed in-depth. Issues concerning corporate governance and compliance were also discussed. During the year, the Supervisory Board approved the replacement of Mr. Hans Neuendorf on the Management Board with Mr. Jacob Pabst.

The annual financial statements (HGB) and the consolidated financial statements (IFRS) prepared by the Management Board for artnet AG for fiscal year 2012, together with the management report and group management report, were audited by the auditing firm Ebner Stolz Manning Bachem GmbH & Co. KG WirtschaftsprUfungsgesellschaft Steuerberatu ngsgesellschaft, Hamburg. The Supervisory Board is convinced of the auditor's independence. The auditors came to the conclusion that both the annual financial statements (HGB) and 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. They issued an unqualified auditor opinion in each case for the audited financial statements.

The annual financial statements prepared by the Management Board for artnet AG as of December 31, 2012, and the consolidated financial statements for financial year 2012 were presented for review by the Supervisory Board, together with the management reports. After completing their audit, the auditors participated in the Supervisory Board's meeting to discuss the financial statements and reported 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 did

however request certain monthly reports from the Management Board concerning revenues, cash flow, and expenses, and a resumption of the "risk management" periodic reporting.

The Supervisory Board approved the annual financial statements for artnet AG prepared by the Management Board in the version audited by Ebner Stolz Manning Sachem GmbH & Co. KG WirtschaftsprUfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, with a resolution on April 15, 2013. The annual financial statements as of December 31, 2012, are thus adopted. The consolidated financial statements as of December 31, 2012, were also approved by the Supervisory Board by way of a resolution on April 15, 2013.

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 2, 2013

John Hushon

Chairman of the Supervisory Board

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 May 15, 2012 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 No. 5.4.6 para. 2 sentence 1. The Management Board 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 www.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 7, 2011 and in view of Item 5.4.1 of the 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 USA, 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 does not include any former members of the Management Board or managing directors. 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.
- 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 con-sideration 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 2014.

The implementation status for 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" have been put in place. The Supervisory Board is not pursuing the objective of "Defining 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. However, there are not any female members of the Supervisory Board at present; as a result this objective has not yet been implemented.

2 Management Board

The Management Board is in responsible for the company's management. It must follow the company's interests and undertakes 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 And Supervisory Board Members

During the past financial year, 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, made the following purchases or sales of at least EUR 5,000 during the calendar year:

Trade Date	January 30, 2012
Name	John Hushon
Function	Member of the Supervisory Board
Name of Financial Instrument	Shares
ISIN/WKN	DE 000A1K0375
Number	2,000
Price	3.95 EUR

Trade Date	April 11, 2012
Name	Hans Neuendorf
Function	CEO of Galerie Neuendorf AG
Name of Financial Instrument	Shares
ISIN/WKN	DE 000A1K0375
Number	15,190
Price	3.33 EUR

Trade Date	April 20, 2012
Name	Hans Neuendorf
Function	CEO of Galerie Neuendorf AG
Name of Financial Instrument	Shares
ISIN/WKN	DE 000A1K0375
Number	8,658
Price	3.52 EUR

Trade Date	May 21, 2012
Name	Hans Neuendorf
Function	CEO of Galerie Neuendorf AG
Name of Financial Instrument	Shares
ISIN/WKN	DE 000A1K0375
Number	3,705
Price	4.32 EUR

Trade Date	June 18, 2012
Name	Hans Neuendorf
Function	CEO of Galerie Neuendorf AG
Name of Financial Instrument	Shares
ISIN/WKN	DE000A1K0375
Number	10,000
Price	5.10 EUR

Trade Date	June 19, 2012
Name	Hans Neuendorf
Function	CEO of Galerie Neuendorf AG
Name of Financial Instrument	Shares
ISIN/WKN	DE000A1K0375
Number	1,973
Price	5.24 EUR

Trade Date	June 20, 2012
Name	Hans Neuendorf
Function	CEO of Galerie Neuendorf AG
Name of Financial Instrument	Shares
ISIN/WKN	DE000A1K0375
Number	4,000
Price	5.3 EUR

On April 2, 2012, the Management Board and Supervisory Board held 1,558,215 or 28.06 % of the shares or financial instruments based thereupon.

Members of the Management Board	
Galerie Neuendorf AG	1,505,161 shares

Supervisory Board	
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 EUR 1.00 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 manage ment 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 ten 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 to 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 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.

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 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

The Management Board and Supervisory Board resolved the following declaration within the meaning of Section 161 of the AktG:

- That the recommendations of the Government Commission of the "German Corporate Governance Code" as amended on May 15, 2012 are generally complied with. 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.

See annex for by-laws.

4. Number 5.3.1., Number 5.3.2., Number 5.3.3., Number 5.3.4., and Number 5.3.5: 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 3: "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 will not be published within the 90-day period recommended in the German Corporate Governance Code. However, they will be published within the four-month period specified in Section 37v (1) of the WpHG and Section 325 (4) of the HGB. As a result of the Group's international structure, both the careful preparation and the conscientious consolidation of the separate financial statements take a substantial amount of time. Earlier publication would have caused the quality of the consolidated financial statements to suffer. In the future, artnet AG intends to publish its consolidated financial statements within the recommended period, as was done in the past.

- The Management Board and the Supervisory Board of artnet AG hereby declare that the recommendations of the Government Commission of the "German Corporate Governance Code" as amended on May 15, 2012 have generally been complied with since the last Declaration of Conformity dated December 2, 2011. The recommendations from No. 3.8 para. 3, No. 4.2.1 sent. 1, No. 5.1.2 para. 2 sent. 3, No. 5.1.3, No. 5.3.1, No. 5.3.2, No. 5.3.3, No. 5.4.1 para. 2 and No. 5.4.6 para. 2 sent. 1 were not applied.

Berlin, April 2, 2013

Jacob Pabst
Chairman and CEO

John Hushon
The Supervisory Board

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.

Yours sincerely,

Jacob Pabst

Chairman and CEO of artnet AG

Group Management Report 2012

1. Economic Environment

Global Economic Situation

Four years after the global financial crisis erupted, the world economy is still struggling to recover.

In 2012, global economic growth weakened further. An increasing number of developed economies suffered from a double-dip recession. Those in severe sovereign debt distress moved even deeper into recession, caught in the downward spiral of high unemployment, weak demand compounded by fiscal austerity, and financial sector fragility. Even in the major developing countries, growth decelerated notably.

While the outlook for 2013 is cautiously optimistic, growth is likely to remain tepid for another year, and could still be derailed by political gridlock in the United States or instability in Europe.

Art Market Development

In 2012, the top end of the Fine Art market did not perform as well as in 2011. Though high value Contemporary Art still appears to be offering savvy investors a handsome return, as a legitimate alternative to conventional investments, the art market as a whole is taking a turn. Contemporary Art sales fared well in 2012 with record prices at auctions, whereas the Impressionist and Modern auctions took a very public and obvious hit, most notably in November 2012. The signs seem to indicate either a bubble within Contemporary Art, or a fundamental shift in the art market. The middle art market, which also saw good gains in 2011, has settled and somewhat dropped back from the 2011 heights. There is still strength, far beyond 2008 or 2009. There is also room to grow as the number of lots sold in this category has steadily increased.

Geographically, the greatest concern is still Europe, which remains in a dull economic outlook for the next few years. The United States rebounded very well comparatively, and this is evident in art auction sales. Our main customers, galleries, suffered in the United States and in Europe as a result of tepid economic growth, which had a negative impact on our revenue.

China is of particular interest to artnet as a high-growth market, and we will increase our focus on this region in the future. 2011 saw the best sales performance on record for the Chinese Art auctions market (4.1 billion EUR), even after accounting for "irregularities;" it is claimed that up to 40% of sales (1.7 billion EUR) are suspect. The China totals are good news for our decision to expand in the region, though these irregularities must be addressed in order for the local art market to be seen as fully functioning and viable. To this end, there are more organizations and governing bodies taking an interest in the art market in China now than ever before. This welcome development, coupled with free market benefits, may very well be behind China's less spectacular 2012 results (2.7 billion EUR), which, when compared to the more real 2011 totals (2.4 billion EUR), actually show an increase in sales. While some of the downturn is likely derived from the slowing economy in China during 2012, we greet these results with cautious optimism; at their core, they could also indicate the emergence of a more honest and transparent art market.

2. Business Organization, Strategy, and Development

The artnet Group Organization

artnet AG is a holding company listed on the "Regulierter Markt" in the Prime Standard segment at 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, we resolved to close the Paris offices of artnet France in June 2012.

With a 2012 monthly average of 1.4 million unique visitors on its three domains, artnet.com, artnet.de, and artnet.fr, artnet offers the world's most comprehensive 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, 2012, *artnet Galleries* represents over 1,700 of the world's most prestigious art galleries from 60 countries. Members of *artnet Galleries* are indexed by specialty and location, and feature 170,000 works by 35,000 artists. Besides all forms of Contemporary, Modern, and Fine Art, *artnet Galleries* 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 websites. With *artnet 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 lots are linked to artnet's upcoming auctions calendar and ranked high in artnet and Google search results. *artnet auction house partnerships* provide reporting and direct traffic from artnet to the auction house website.

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 7 million illustrated auction results from more than 1,400 leading international auctioneers. This product gives price transparency to an otherwise secretive market. Subscribers to the *artnet Price Database Fine Art and Design* and the *artnet Price Database Decorative Art* receive access to upcoming auction information, recent auction results, and auction results dating back to 1985, as well as the most up-to-date and impartial value for artworks they would like to buy or sell. The *artnet Price Database* is widely subscribed to by 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 *artnet Price Database* to support the valuation and sale of important works of art.

A derivative of the *artnet Price Database* is *artnet market alert*, which informs subscribers by email when artworks by their favorite artists come up at auction, or are offered in *artnet Galleries* or on *artnet Auctions*.

artnet Analytics, which was launched in May 2012, is the first art index that allows to value the market performance of artists, customer-specific groups of artworks, and art categories, such as Asian Art or Modern Art. The market performance can also be compared to financial indices such as the Dow Jones or S&P 500. This product for analyzing the art market provides its users with reports for over 800 artists and around 46,000 groups of comparable artworks.

With *artnet Auctions*, artnet has become a business-to-customer transaction platform with an integrated information resource. The main advantages for buyers and sellers on *artnet Auctions* are the attractive pricing and the 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 147 biographies. *artnet Monographs* can be viewed free of charge on the artnet website.

3. Business Development

Significant Events in Fiscal Year 2012

2012 was a challenging and extraordinarily eventful year for artnet, and was characterized by several factors.

Restructuring

The continued problems affecting galleries, our key customer group, are not only due to economic developments, but are increasingly proving to be systemic. As a result, in the second quarter of fiscal year 2012, we critically reviewed all of our divisions, which allowed us to optimize workflows and find areas to cut costs. This analysis led to the painful decision to shut down some operations that would not be profitable in the foreseeable future. As a result, we decided to cease publication of the highly respected *artnet Magazine*, which was published in English, German, and French for 16 years. The magazine costs will be disclosed retroactively in our consolidated financial statements as discontinued operations, which means that the impact on consolidated results from this decision is shown transparently. In addition, we resolved to close the Paris office of the subsidiary artnet France sarl. The key French market will be supported from our headquarters in New York in the future. These actions depressed fiscal year 2012 with material one-off costs, in particular with compensation payments for employees. However, we believe that they will result in major savings of around 1.8 million EUR in 2013.

In addition to these economizing decisions, our restructuring has also put the conditions in place for artnet's renewed growth. We have rejuvenated our management team in many areas, and we have hired and introduced a new sales team. We have also optimized our pricing system and structured it more efficiently.

Hostile Takeover Blocked

Redline Capital Management S.A. published the offer document within the meaning of § 11 of the German Securities Acquisition Act (WpÜG) on August 31, 2012, for the voluntary public takeover offer for all shareholders of artnet AG to acquire the shares of artnet that they hold according to § 14 Pars. 2 and 3 of the German Securities Acquisition Act (WpÜG). The offer was geared to acquire control of the target company, and was thus a voluntary public takeover offer within the meaning of the WpÜG. The offer documents were sent to the Management Board on August 31, 2012. The bidder made his decision to issue an offer without this being requested, and had not coordinated this with either the Management Board or the Supervisory Board. At no point in time were there any agreements or deals between the bidder and artnet prior to the offer or the opinion presented. According to the provisions and conditions of the offer document, the bidder made an offer to all of artnet's shareholders to acquire the shares held in their name, each with a proportionate interest in the capital stock of 1.00 EUR, including dividend rights for fiscal year 2012 and all of the other incidental rights on the date of processing, at an offered price of 6.40 EUR per share of artnet.

The Management Board performed an internal enterprise valuation based on the corporate forecasts. After reviewing this internal enterprise valuation, and considering the overall circumstances, the Management Board and Supervisory Board

came to the conclusion that the compensation of 6.40 EUR per share of artnet that was offered was not reasonable from a financial perspective. The deadline for acceptance of the offer ended at midnight (CET) on September 28, 2012. The attempt by Redline Capital Management S.A. to acquire a majority interest in the company via a voluntary takeover offer to artnet AG's shareholders has failed. The acceptance rate for Redline's takeover offer was just 19.93% of the capital stock, which meant that the offer had to be taken back.

An action for annulment, or a declaratory action for invalidation, was brought by shareholder against individual resolutions of the Annual General Meeting on July 8, 2012.

In order to deal with the possible damage to our image from the hostile takeover, and the associated negative press campaign about artnet, we have expanded our marketing department, and we have substantially reinforced our efforts to defend artnet's excellent reputation as a high-performance, top-quality company.

Relocation to New Offices in New York

Over 100 employees in New York relocated to new offices on the 26th floor of the historic Woolworth building in May 2012, after the 10-year lease for our previous offices on Broadway expired.

Impact of Hurricane Sandy

It was not possible to use the offices in Manhattan for a week in November 2012 as a result of Hurricane Sandy. However, the website's operation was secured, with the result that the hurricane only had a minor impact on the company's direct business operations. However, some of our customer galleries were damaged, in some cases heavily, by the hurricane, and this could also have a negative impact on our company.

4. Result of Operations, Financial Position, and Net Assets

Result of Operations

Earnings of the Group were essentially influenced by the decline in revenues in *artnet Galleries* and *artnet Advertising*. The hostile takeover, which came along with negative publicity and the entering of new competitors into the market, also contributed to a deterioration of sales performance. Restructuring at the New York office, which started with the closure of the Paris office and the discontinuation of the *artnet Magazine*, negatively affected earnings due to restructuring expenses during the reporting period. This has not yet had a significant effect on cost savings. The full impact of these measures will not be felt until 2013. The result has been sustainable, affected by impairment loss of prior financial years for the capitalized development costs for the new product *artnet Analytics*, which was introduced in May 2012. The revenues realized from the new product were below original expectations, and as a result the Executive Board decided to conduct a capitalized asset revaluation. Despite the considerable interest in the product, the introduction of this unique analysis tool for the global market of art to the cost-conscious financial community is taking more time than expected. The redesign of the website, which has already begun, increased product development costs. Administrative costs were charged associated with relocation to the new offices.

Revenue Growth

2012 was a difficult fiscal year for artnet in terms of our revenue growth. The economic situation continued to be challenging for many galleries, and the increasing level of competition, resulting from several start-ups entering some of our product segments, also meant that our revenue growth in 2012 did not meet our expectations.

Consolidated revenues from continued operations increased as a result of exchange rates by 2% in euros from 13,245,000 EUR in 2011 to 13,488,000 EUR in 2012. However, in US dollars, the currency in which the Group's main business activities are processed, revenues fell by 5.9% from 18,427,000 USD in 2011 to 17,334,000 USD in the year under review.

artnet Galleries, the *artnet Price Database Fine Art and Design*, the *artnet Price Database Decorative Art*, and *artnet Auctions* generate approximately 92% of artnet's revenue. The *artnet Price Database Fine Art and Design* and *artnet Price Database Decorative Art* are based on a broad range of information, and offer reliable, up-to-the-minute price information, while *artnet Galleries* offers information on the items available in galleries around the world. The online platform *artnet Auctions* allows real-time transactions.

artnet Auctions recorded revenue growth of 5.1% in US dollars (13.8 % in euros) and accounted for 17.5% of the revenue in 2012. During the fiscal year, as was the case in the previous year, *artnet Auctions* was the segment with the highest growth in revenue. In 2011, the product's revenue reached 2,000,000 EUR (2.900,000 USD), while in 2012 it increased to 2,300,000 EUR (3,000,000 USD). Revenue growth for *artnet Auctions* is due to higher average prices per auction lot: from 6,034 USD in 2011 to 7,907 USD in the year under review. The average buyer and seller premiums increased together with the higher lot prices: they totaled 20% on average in 2012, compared to 19% in the same period of 2011.

Revenue for *artnet Galleries* fell by 7%, or 479,000 USD, to 6,317,000 USD, though it remained practically constant in euros, due to the currency fluctuations, revenue remained stable at 4,916,000 EUR. In 2012, the number of gallery members dropped by around 300. A new product offering and marketing initiatives are in place to fight the downturn, which has led us to reach a low of 1,700 *artnet Galleries* members. In addition, the website is also currently being restructured with new search technology and a vastly improved design, thus making our product offering substantially more attractive for galleries.

Revenue for the *artnet Price Database* was up by 52,000 USD (428,000 EUR) or 0.8% in USD (9.1% in EUR) to 6,584,000 USD (5,123,000 EUR). Despite the more intense competition, as a result of new competing services, our core product has thus impressively confirmed its market leadership. *artnet Analytics*, which was launched in May 2012, contributed 104,000 USD (81,000 EUR) to this result, however it was thus substantially lower than expected.

Revenue for *artnet Advertising* fell by 36.9% in USD (and by around 31.7% in EUR) from 2,205,000 USD (1,585,000 EUR) to 1,391,000 USD (1,082,000 EUR). The downturn in revenue is due to the exit of a key account manager and the loss of his close personal contacts. The sales team has been restructured, and, starting in the fourth quarter of 2012, further improvements have been made to the website and targeted sales activities. Revenue growth will be generated again in this area in future.

The *artnet Magazine* was discontinued in June 2012. Revenue was 60,000 USD (41,000 EUR), compared to 133,000 USD (96,000 EUR) in the same period in 2011.

Changes in Income and Expense in Continued Operations

After many profitable years, artnet had to record a loss in operations revenue in 2012. Operating profits from continued operations totaled 900,000 EUR (1,252,000 USD) in 2011, however the company recorded a loss of 670,000 EUR or 861,000 EUR in 2012. The operating result fell in particular as a result of substantial cost increases by 1,570,000 EUR (2,113,000 USD) compared to the previous year.

Gross profit was depressed by an increase in the cost of sales of 874,000 EUR (578,000 USD) or 17% in EUR (8.1% in USD). The increase in the cost of sales compared to the prior year period is due, in particular, to higher personnel expenses for *artnet Auctions* and *artnet Analytics*. These higher expenses resulted from salary increases and a higher average number of employees in these departments.

Personnel expenses also increased significantly for product development, in particular as a result of the major project to redesign the website. Administrative costs were impacted by the costs in connection with the relocation to new offices in New York. In connection with the restructuring performed in 2012, compensation payments were also made to employees leaving the company in its continued operations. These relate, for example, to the closure of the Paris office. These factors led to an increase in operating expenses in the year under review by 939,000 EUR (443,000 USD).

As the forecast assumptions for *artnet Analytics* were not met after its launch in May 2012, in particular with regard to revenue growth, the development costs capitalized in previous years were tested for impairment. Based on the revised forecast assumptions, in connection with the need to restrict the forecast period to 10 years, the value in use is substantially lower than the carrying amount on December 31, 2012. As a result, the Management Board has decided to perform an extraordinary write-down in the amount of 628,000 EUR (830,000 USD) to the carrying amount. This is carried under a separate item in the statement of comprehensive income. However, there is

unrelenting interest in *artnet Analytics* as a totally new type of analysis and valuation tool for the art market, and so we believe that this product will be sold successfully over the medium to long term. However, the time-to-market will be longer and more cost-intensive than originally planned.

Earnings from continued operations fell, in particular as a result of extraordinary charges from restructuring, investments in product development, and one-off charges from the extraordinary write-down by 2,400,000 EUR (3,213,000 USD). After positive earnings of 1,001,000 EUR (1,393,000 USD) in the previous year, artnet recorded a substantial loss of 1,399,000 EUR (1,821,000 USD) in 2012.

The drop in earnings affects all divisions. In 2011, *artnet Galleries* earned 735,000 EUR (971,000 USD). In 2012, these earnings decreased by 385,000 EUR (522,000 USD) to amount to 350,000 EUR (449,000 USD). *artnet Price Database* registered a significant decline. After a profit of 770,000 EUR (1,017,000 USD) in 2011, in the fiscal year 2012 it reached a loss of 479,000 EUR (616,000 USD). This decline is influenced by extraordinary depreciation for the newly launched *artnet Analytics*. The earnings of *artnet Advertising* decreased due to a drop in sales. These earnings dropped by 183,000 EUR (235,000 USD) from 2011 to 2012. In 2012, the profit was 99,000 EUR (128,000 USD). *artnet Auctions*, the product with the highest sales growth, recorded a pretax loss of 1,364,000 EUR (1,753,000 USD) in 2012, which is 335,000 EUR (430,000 USD) more than the pretax loss recorded in the previous year. Higher marketing expenses and increased personnel costs could only be partially offset by increased turnover.

Discontinued Operations

As part of the restructuring activities performed, in June 2012, the Management Board made the decision to discontinue the unprofitable *artnet Magazine*, in order to focus on our core products. In the statement of comprehensive income, the earnings due to the discontinued operations are shown separately. The figures from the previous year have been adjusted in the statement of comprehensive income. In the year under review, the loss from the discontinued operations of the *artnet Magazine*, including closure costs, totaled 1,028,000 EUR (1,321,000 USD). Similarly, in the previous year, the loss in revenue totaled 970,000 EUR (1,349,000 USD).

Group Profit or Loss

In total, after practically balanced consolidated results of 31,000 EUR (44,000 USD) in the previous year, a substantial loss was recorded in 2012 of 2,427,000 EUR (3,142,000 USD). Group profit or loss has thus fallen by 2,458,000 EUR (3,186,000 USD). Earnings growth was highly unsatisfactory.

However, the cost-cutting program put in place in 2012 and investments in product development mean that the conditions have been put in place to return to profitable on-track growth in the coming years.

Basic earnings per share were -0.44 EUR (-0.57 USD) compared to 0.01 EUR (0.01 USD) in 2011.

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, 2011 and 2012, respectively. In 2012, the average exchange rate was 0.778 EUR/USD compared to 0.719 EUR/USD in fiscal year 2011. This corresponds to an increase of 8% in the average exchange rate. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of December 31, 2012, the rate was 0.757 EUR/USD compared to 0.772 on December 31, 2011. This corresponds to a decrease of 2%.

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 exchange rate differences 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

Cash flow growth in 2012 was also substantially negative in 2012, in line with the deterioration in earnings. The artnet Group recorded a positive cash flow from operating activities of 402,000 EUR in the previous year, however this figure was negative in

2012 at -457,000 EUR. The cash outflow from operating activities for the *artnet Magazine*, which is now carried as discontinued operations, totaled -953,000 EUR and is thus on a par with the previous year. In the future, this negative cash flow will be avoided because this division has been discontinued. However, 2012 was also impacted by the compensation payments required for former employees. The cash flow from operating activities from continued operations fell from 1,367,000 EUR in 2011 to 497,000 EUR in 2012, which is mostly as a result of the increased personnel expenses and the additional costs for redesigning the website.

The artnet Group's cash flow from investing activities was -675,000 EUR in 2012, as compared to -855,000 EUR in 2011. During the year under review, investments were made in computers and hardware, fixtures and furniture, and leasehold improvements. The property and equipment costs for the new New York offices totaled 339,000 EUR. Investments in intangible assets of 336,000 EUR were due to further development work on the new *artnet Analytics* product until the official market launch in May 2012, and due to external development work in connection with the redesign of the website, for which work started in the second half of 2012.

The cash flow for financing activities was -221,000 EUR as of September 30, 2012, compared to -172,000 EUR in 2011, and comprised payments for the redemption of liabilities from finance leases for office fittings, hardware, and software. The increase is due to the conclusion of new lease agreements in connection with the new office facilities in New York.

In total, cash and cash equivalents fell as a result of the cash flows from operating and investing activities from 2,112,000 EUR (2,736,000 USD) on December 31, 2011, to 753,000 EUR (995,000 USD) on December 31, 2012. During the last quarter of 2012, after the completion of the reorganization and investments in product development and the specific sales initiatives, we already recorded a positive cash flow on the whole once again. As a result of the company's economizing decisions implemented in the year under review, and the increase in new agreements, Management is convinced that the company's financing has been secured for the coming 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, 2012, the liquidity per share totaled 0.14 EUR (0.18 USD) based on an average of 5,552,986 shares in circulation, compared to 0.38 EUR (0.49 USD) on December 31, 2011.

Net Assets

Consolidated total assets amounted to 6,009,000 EUR (7,944,000 USD) on December 31, 2012, compared to 7,437,000 EUR (9,631,000 USD) on December 31, 2011, representing a downturn of 19% (or 18% in USD). This reduction is mostly due to the lower cash and cash equivalents in the Group.

Non-current assets increased by 146,000 EUR (244,000 USD) to 2,044,000 EUR (2,703,000 USD). The Group's non-current assets are primarily in US dollars. This increase was due to the capitalization of development costs for *artnet Analytics* and the redesign of the website in the amount of 346,000 EUR (445,000 USD) and in property, plants, and equipment for the tenant's fittings and the acquisition of office furniture for the new offices in the amount of 573,000 EUR (758,000 USD). In addition, due to the cycle, 407,000 EUR (523,000 USD) was invested in renewing the necessary hardware and software. These acquisitions during the year under review were offset by non-scheduled write-downs for the capitalized development costs for *artnet Analytics*, which has recently been launched, in the amount of 628,000 EUR (830,000 USD).

In terms of non-current assets, deposit receivables fell by 203,000 EUR (255,000 USD), which was due to the repayment of the rental deposit for the former offices after the relocation during the fiscal year. The rental deposit for the new offices was already paid in 2011.

The deferred tax assets carried, in particular for anticipated future tax benefits from tax losses carried forward at Artnet Corp., continued to be carried in an unchanged amount of 1,908,000 USD, as is again expected in the following year from the anticipated tax profits.

Total current liabilities increased by 438,000 EUR (649,000 USD) from 2,634,000 EUR (3,411,000 USD), as of December 31, 2011, to

3,072,000 EUR, (4,060,000 USD). This increase was mostly due to the increase in trade payables as a result of the exploitation of payment targets, the conclusion of finance leases for the acquisition of a network infrastructure, office fittings as part of the relocation, and the formation of provisions in connection with possible process risks from the reorganization performed.

The recovery in non-current liabilities is due to the new finance leases concluded during the year under review, and to the deferral of rent-free periods from the rental agreement for the new offices in the Woolworth Building, concluded in the year under review over the term of the lease.

The artnet Group's consolidated equity fell substantially to 2,368,000 EUR (3,131,000 USD) compared to 4,752,000 EUR (6,154,000 USD) on December 31, 2011.

The *artnet Price Database* constitutes an intangible asset that has been developed by gathering auction information over the last 20 years. 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.

Employees

As of December 31, 2012, there were 118 full-time employees in the Group, versus 114 in the same period of 2011. Additionally, the artnet Group had 10 part-time employees in 2012, as compared to 18 in the same period a year ago. The Group had 10 freelance employees in sales and other areas, compared to 11 freelance employees in 2011.

Personnel expenses totaled 7,929,000 EUR (10,190,000 USD) compared to 7,020,000 EUR (9,766,000 USD) in the previous year. This increase is primarily due to compensation payments made as part of the restructuring, and to an increase in personnel costs for *artnet Auctions* and product development compared to the previous year.

Research and Development

The artnet website forms the foundations for the Group's products. It is of the utmost importance to keep pace with the latest technologies and to develop new products that increase customer benefits. In this regard, our developers use software based on Microsoft technology, which allows them to flexibly adjust current applications to changes in customer needs. In 2012, development activities were primarily related to the redesign of the website and the end of development work for *artnet Analytics*.

5. Disclosure Of Takeover Provisions (Reporting In Accordance With § 315 Par. 4 Of The German Commerical Code

Composition of Capital Stock

artnet AG's fully-paid in capital stock as of December 31, 2012, 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 for 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 26.73%.

Shareholders with Privileges

There are no shareholders with privileges.

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 Association

Members of the Management Board are appointed and dismissed according to §§ 84, 85 of the German Stock Corporation Act (AktG). Amendments to the articles of incorporation are made according to §§ 133, 179 of the German Stock Corporation Act (AktG).

Authorization of the Executive Board to Issue and Repurchase Shares

The Shareholders' Meeting of artnet AG on July 15, 2009, authorized the Management Board, with the approval of the Supervisory Board, to increase the capital stock by up to 2,800,000 EUR before July 14, 2014, through the issue of 2,800,000 new no-par value bearer shares in exchange for cash contributions or contributions in kind (Authorized Capital 2009/I). No shares were issued from the authorized capital during the fiscal year or in prior years.

The capital stock was increased by up to 560,000 EUR through the issue of up to 560,000 new no-par value bearer shares, which can be issued to members of the Company's Management Board, members of the management of affiliated entities, and employees of artnet AG or its affiliated entities (Conditional Capital 2009/I) by way of a resolution by the General Meeting on July 15, 2009.

The conditional capital increase serves to grant subscription rights to the members of artnet AG's Management Board, members of management of affiliated companies (§ 15 of the German Stock Corporation Act), employees of artnet AG, and employees of affiliated companies, in line with the issuing authorization for the Management Board from the General Meeting on July 15, 2009.

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 to holding them.

6. Declaration of conformity with the German Corporate Governance Code of section 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 www.artnet.com/investor-relations/declaration-of-compliance.

7. Renumeration 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 income for the Management Board. In addition, it describes the principles behind and amount of remuneration for 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).

a) Remuneration of the Management Board

The Supervisory Board is responsible for setting the remuneration for 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 on the international market for highly qualified executives, and that it offers an incentive for additional work. In 2012, remuneration for the board member Jacob Pabst comprised fixed basic remuneration and a current short-term incentive. Remuneration for the Management Board is mostly comprised of the following individual components:

Fixed basic remuneration: The fixed remuneration is paid out monthly as a salary.

Short-term variable incentive: In addition to the fixed basic remuneration, the Management Board receives a short-term variable remuneration component. The amount of this component is at the discretion of the company, which is represented by the Supervisory Board. The basis for calculation

of the variable component is 100,000 USD. The remuneration should not exceed 200,000 USD. The amount of the short-term variable remuneration component is dependent on the degree to which each of the following events takes place:

1. Share Price Performance

In the event that the share price in the fiscal year outperforms the SDAX by 10% to 15%, the variable remuneration totals 100% of one third. If the share price is better than 15%, the remuneration increases on a straight-line basis to a maximum of 150% of one third. In the event that the share price in the fiscal year outperforms the SDAX by 5% to 10%, the variable remuneration totals 75% of one third. If the share price performs in parallel to the SDAX, remuneration totals 50% of one third. In contrast, if the company's share price underperforms the SDAX, one third of the variable remuneration is not paid.

2. Revenue Growth

In the event that the company's revenues in the fiscal year increase by 5%, the variable remuneration totals 50% of one third. If revenues increase by 5% to 10%, 100% of one third of the variable remuneration is paid. If revenues are 10% to 15% higher than in the previous year, variable remuneration totals 125% of one third. If revenues increase by more than 15%, 150% of one third of the variable remuneration is paid. If revenues do not increase, one third of the variable remuneration is not paid.

3. EBITDA

If the company records profits (EBITDA) of 1 million USD, 100% of one third of the variable remuneration is paid. If the company does not record any profits but the cash flow from operating activities is positive, 50% of one third of the variable remuneration is paid. If EBITDA totals 2 million USD, 150% of one third of the variable remuneration is paid. If the company does not record positive EBITDA in the year under review, one third of the variable remuneration is not paid.

In addition, the company continues to pay health insurance of 450 EUR per month, and has taken out accident insurance with cover for invalidity (300,000 EUR) and death (150,000 EUR).

In fiscal year 2012, the fixed cash remuneration for the sole member of the Management Board (from July 12, 2012) Jacob Pabst totaled 109,464 EUR (140,943 USD), including the monthly health insurance paid of 450 EUR.

In fiscal year 2012, the fixed cash remuneration for the sole member of the Management Board (to August 8, 2012) Hans Neuendorf totaled 269,798 EUR, including the non-cash benefits from private use of his company car.

In each case, no variable remuneration was paid in 2012. Mr. Neuendorf waived the granted variable remuneration from the previous year of 155,000 EUR within his resignation as CEO in August 2012.

In the event that the employment relationship ends prematurely, the employment agreement with the board member does not include an express agreement on compensation. However, compensation may be paid based on an individual cancellation agreement that may be reached.

b) Remuneration for the Supervisory Board

The remuneration for 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 for 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 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.

8. Risk Report

Report And Information Within The Meaning Of § 315 Par. 2 No. 2 And 5 Of The German Commercial Code (HGB)

Accounting-related Internal Control Systems

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 component is the principle of segregation of duties, which aims to ensure that executive (e.g., sales), booking (e.g., financial accounting), and management activities (e.g., IT administration) are not united in the same place. The principle of dual control ensures that no material workflows go uncontrolled.

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 mostly comprised of the following four components:

1. 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

2. The IT infrastructure, which ensures and monitors the 24/7 availability and functionality of the website

3. Project management, which monitors the development and progress of the individual technology projects

4. 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 are Identified

As a rule, in order to measure, monitor, and control its business growth and risks, the artnet Group uses a spreadsheet-based management and control system, which is mostly based on financial accounting data. The risk inventory and handbook, which are developed based on this document, list the key existing threats and allocate 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 analyses 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. Risk policy is geared to generate sustained growth and securing enterprise value over the long term, and to avoid unreasonable risks. The Group has identified the following key 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 interruptions increase the work required in the IT department, which in turn leads to a delay in launching new functions and services. Even if 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, terrorist attacks, computer viruses, and other adversities. artnet's web servers are located in an extremely secure external facility. Even Hurricane Sandy, which led to power outages in large parts of Manhattan, did not result in any downtime for our website or servers.

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 are of benefit for 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 are higher risks in product development because of a growing number of Internet start-ups entering the market, who 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 reduce revenues for all product lines. artnet monitors traffic on a daily, weekly, and monthly basis in order to ensure that this meets expectations. To further increase traffic, the Group also needs larger financial involvement for advertising and marketing. To the extent possible, artnet monitors visitor figures and revenue generated via the website, and compares these with the corresponding advertising and marketing expenses, in order to assess the success of advertising and marketing activities.

Legal Risks

Trademark and Legal Rights

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 reviews 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.

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 companies also accept payments from customers in euros and British pounds, and pay their suppliers in Europe in these currencies. This reduces the exchange rate risks.

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 this is possible.

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

The artnet Group does not use further financial derivative instruments to protect risks, as it does not appear to make economic sense in terms of the manageable currency risks and insignificant interest rate risks.

The liquidity risk increased in 2012 as a result of the substantial reduction in cash and cash equivalents. To date, the artnet Group has exclusively financed itself via its operating cash flow. As a result of the savings activities implemented in the year under review and an increase in new customer agreements concluded, Management is convinced that the company's financing has also been secured for the coming year.

Due to the relatively small financial risks in the business, artnet has not used any derivative financial instruments to further hedge or control these risks.

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. artnet combats these staff-related risks by offering its executives a stock option incentive plan and by spreading expertise over several persons if possible.

There is the possibility that the above list does not outline all risks to which artnet is exposed. Unrecognized and unreported risks could arise causing negative effects on 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.

9. Key Events After the Balance Sheet Date

With the contract dated March 31, 2013, the main shareholder, Hans Neuendorf, grants artnet AG a 500,000 EUR loan, repayable by May 1, 2014. The loan bears interest at a rate of 4% per year. Furthermore, Galerie Neuendorf AG and Artnet Worldwide Corp. concluded rescheduling agreement on fees that are due, but have not yet been paid, and future fees, relevant to the year 2013 according to the consultancy contract on August 10, 2012. Deferred fees fall due for payment on March 31, 2014. Both of these measures serve as collateral to potential temporary liquidity bottleneck, which could result from seasonal changes of cash collections.

On March 31, 2013, Dr. Jochen Gutbrod submitted his resignation from the Supervisory Board of artnet AG, which will take effect on April 30, 2013.

There were no more reportable events of significance after the balance sheet date that could have a material impact on the artnet Group's financial position or results of operations.

10. Outlook

Corporate Goals, Strategies, and Management Opportunities

artnet's Management takes a goal-oriented approach to managing and monitoring the strategic objectives for the Group. Once a year, the Supervisory Board and the Management Board set specific goals for revenue, operating results, product development, and product launches. In 2012, the Group achieved its goal of growing the *artnet Auctions* revenue to represent over 2,300,000 EUR of our profits, or 17.5% growth. However we lagged our targets in the other areas in 2012.

We start 2013 with the strength of years of investment in our technology and our people, and of the essential restructuring completed in 2012. Through the coming year, our leadership team, united in its commitment and shared vision, will drive growth across our entire range of products. We will continue to support the expansion of *artnet Auctions* by increasing the number and the quality of the artworks we offer and sell across the globe. The interest in our *artnet Analytics* Reports in the arts and financial communities will lead to opportunities that are not available to any other competitor in this market. *artnet Galleries* will benefit from our improved technology, and the greater desire from galleries to gain international visibility, especially online. The *artnet Price Database* remains the industry's gold standard, ever more valuable in a market that is growing more international, complex, and fragmented.

Before the end of 2013, we will relaunch our website, with an improved user experience that is more conducive to selling our products, and a refreshed visual language that is more suited to our history of pioneering innovation.

To better promote our products, we are committed to building greater awareness of our brand by reaching out to existing and new collectors, dealers, galleries, and auction houses. This will

manifest itself in an even bigger data-mining marketing effort, higher visibility at relevant industry events, and partnerships with respected brands that share our commitment to transparency and integrity.

After a year of restructuring, 2013 should see a significant turnaround in our profitability. Having completed the rationalization and optimization of our product offering and of the processes needed to deliver it, we expect to see solid revenue growth, and a return to the profit zone.

Through our introduction of a new price structure, new product ranges, and targeted marketing and sales activities, we aim to regain market shares that we have lost in *artnet Galleries*. We forecast slight revenue growth for this product. We also believe that our new product, *artnet Analytics*, which falls under the *artnet Price Database* segment, will generate further substantial revenue growth in this core business. We believe that our strategic alliances with new sales partners and the redesign of our website will cause a strong increase in revenues in the *artnet Advertising* segment after a slump in 2012, which will bring us back to the 2011 level. As a result of the higher average prices for lots on *artnet Auctions*, we forecast revenue growth for this product in 2013.

All of our products continue to show great potential, from the most established ones, such as our *artnet Price Database*, to the newer ones, such as *artnet Auctions* or *artnet Analytics*.

Our unique assets, the competitiveness of our differentiated products, and our commitment to elevating the awareness and perception of our brand give us an unmatched opportunity to capitalize on the economic recovery and growth of the art market. These assets will enable us to sustain, and even expand, our market leader position.

Berlin, 2. April 2013

Jacob Pabst
Chairman and CEO

Consolidated Financial Statements as of December 31, 2012

artnet AG Consolidated Balance Sheet

As of December 31, 2012 and December 31, 2011

	Notes No.	12/31/12 USD	12/31/11 USD	12/31/12 EUR	12/31/11 EUR
ASSETS					
ASSETS CURRENT ASSETS					
Cash and cash equivalents	3	994,773	2,735,520	752,546	2,112,368
Trade receivables	4	1,221,058	1,217,973	923,730	940,519
Other current assets	5	737,968	676,248	558,273	522,199
Total current assets		**2,953,799**	**4,629,741**	**2,234,549**	**3,575,086**
NON-CURRENT ASSETS					
Property, plant and equipment	6	1,374,634	792,402	1,039,911	611,893
Intangible assets	7	1,327,877	1,666,614	1,004,539	1,286,959
Security deposit		379,921	634,498	287,410	489,959
Deferred tax assets	8	1,907,577	1,907,577	1,443,082	1,473,031
Total non-current assets		**4,990,009**	**5,001,091**	**3,774,942**	**3,861,842**
TOTAL ASSETS		**7,943,808**	**9,630,832**	**6,009,491**	**7,436,928**
EQUITY AND LIABILITIES					
CURRENT LIABILITIES					
Trade payables	9	844,777	504,209	639,074	389,350
Accrued expenses and other liabilities	10	986,751	1,038,247	746,477	801,734
Provisions	11	170,041	-	128,636	-
Liabilities from finance leases	12	297,649	129,308	225,171	99,852
Deferred revenue	14	1,760,941	1,739,108	1,332,152	1,342,939
Total Current Liabilities		**4,060,159**	**3,410,872**	**3,071,510**	**2,633,875**
NON-CURRENT LIABILITIES					
Office Rent Amort	13	267,896	-	202,663	-
Liabilities from finance leases	12	484,933	65,557	366,852	50,623
TOTAL LIABILITIES		**4,812,988**	**3,476,429**	**3,641,025**	**2,684,498**
SHAREHOLDERS' EQUITY					
Subscribed capital	15	5,941,512	5,941,512	5,631,067	5,631,067
Treasury stock	15	(269,241)	(269,241)	(264,425)	(264,425)
Retained earnings		52,240,459	52,061,314	50,862,873	50,723,480
Loss carry-forward		(51,784,190)	(51,827,976)	(51,482,744)	(51,514,219)
Consolidated net income		(3,141,787)	43,786	(2,426,695)	31,475
Foreign currency translation		144,067	205,008	48,390	145,052
TOTAL SHAREHOLDERS' EQUITY		**3,130,820**	**6,154,403**	**2,368,466**	**4,752,430**
TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY		**7,943,808**	**9,630,832**	**6,009,491**	**7,436,928**

artnet AG Consolidated Statement of Comprehensive Income

For the Fiscal Year from January 1 to December 31, 2012

	Notes No.	2012 USD	2011 USD	2012 EUR	2011 EUR
Revenue					
artnet Galleries		6,317,417	6,796,184	4,915,582	4,885,097
artnet Price Database		6,584,047	6,532,334	5,123,047	4,695,442
artnet Advertising		1,390,884	2,204,624	1,082,247	1,584,684
artnet Auctions		3,041,606	2,893,515	2,366,673	2,079,859
Total revenue	**25**	**17,333,954**	**18,426,657**	**13,487,549**	**13,245,082**
Cost of sales		7,727,830	7,150,064	6,013,025	5,139,466
Gross profit		**9,606,124**	**11,276,593**	**7,474,524**	**8,105,616**
Other operating expenses					
Sales and marketing		2,747,212	2,566,816	2,137,606	1,845,027
General and administrative		5,068,442	4,807,515	3,943,752	3,455,642
Product development		2,472,396	2,422,411	1,923,771	1,741,229
Remuneration from stock options	18	179,145	227,655	139,393	163,638
Total other operating expenses		**10,467,195**	**10,024,397**	**8,144,522**	**7,205,536**
Operating income	**22**	**(861,071)**	**1,252,196**	**(669,997)**	**900,080**
Interest expenses	22	(58,036)	(23,775)	(45,158)	(17,089)
Interest income	22	413	381	321	274
Non-scheduled amortization/depreciation	7	(830,000)	-	(627,895)	-
Other (expenses)/income	22	(44,787)	(173,751)	(34,849)	(124,892)
Earnings before taxes		**(1,793,481)**	**1,055,051**	**(1,377,578)**	**758,373**
Income taxes	8	(27,209)	337,721	(21,171)	242,753
Continued operations		**(1,820,690)**	**1,392,772**	**(1,398,749)**	**1,001,126**
Discontinued Operations	**23, 24**	**(1,321,097)**	**(1,348,986)**	**(1,027,946)**	**(969,651)**
Group profit or loss	**22**	**(3,141,787)**	**43,786**	**(2,426,695)**	**31,475**
Other earnings					
Differences from foreign currency translation		(60,941)	165,329	(96,662)	242,791
Total income for the period		**(3,202,728)**	**209,115**	**(2,523,357)**	**274,266**
Earnings per share					
Basic	21	(0.57)	0.01	(0.44)	0.01
Diluted	21	(0.57)	0.01	(0.44)	0.01
Earnings per share from continued operations					
Basic	21	(0.33)	0.25	(0.25)	0.18
Diluted	21	(0.33)	0.25	(0.25)	0.18
Earnings per share from discontinued operations					
Basic	21	(0.24)	(0.24)	(0.19)	(0.17)
Diluted	21	(0.24)	(0.24)	(0.19)	(0.17)
Weighted average shares					
Basic	21	5,552,986	5,552,986	5,552,986	5,552,986
Diluted	21	5,556,986	5,556,986	5,556,986	5,556,986

artnet AG Consolidated Statement Of Changes In Shareholders Equity (USD)

For the Fiscal Year from January 1 to December 31, 2012

	Subscribed capital						
	Issued shares	Amount	Treasury stock	Retained earnings	Loss carry-forward	Foreign currency translation	Total
Balance as of 12/31/2010	**5,631,067**	**5,941,512**	**(269,241)**	**51,833,659**	**(51,827,976)**	**39,679**	**5,717,633**
Net profit (loss)					43,786	165,329	209,115
Remuneration from stock options				227,655			227,655
Balance as of 12/31/2011	**5,631,067**	**5,941,512**	**(269,241)**	**52,061,314**	**(51,784,190)**	**205,008**	**6,154,403**
Net profit (loss)					(3,141,787)	(60,941)	(3,202,728)
Remuneration from stock options				179,145			179,145
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**

artnet AG Statement Of Changes In Consolidated Equity (EUR)

For the Fiscal Year from January 1 to December 31, 2012

	Subscribed capital						
	Issued shares	Amount	Treasury stock	Retained earnings	Loss carry-forward	Foreign currency translation	Total
Balance as of 12/31/2010	**5,631,067**	**5,631,067**	**(264,425)**	**50,559,842**	**(51,514,219)**	**(97,739)**	**4,314,526**
Net profit (loss)					31,475	242,791	274,266
Remuneration from stock options				163,638			163,638
Balance as of 12/31/2011	**5,631,067**	**5,631,067**	**(264,425)**	**50,723,480**	**(51,482,744)**	**145,052**	**4,752,430**
Net profit (loss)					(2,426,695)	(96,662)	(2,523,357)
Remuneration from stock options				139,393			139,393
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**

artnet AG **Consolidated Cash Flow Statement**

For the Fiscal Year from January 1 to December 31, 2012

	Notes No.	2012 USD	2011 USD	2012 EUR	2011 EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Group profit or loss	22	(3,141,787)	43,786	(2,426,695)	31,475
Profit/(loss) from continued operations		(1,820,690)	1,392,772	(1,398,749)	1,001,126
Profit/(loss) from discontinued operations		(1,321,097)	(1,348,986)	(1,027,946)	(969,651)
Adjustments to reconcile net profit to net cash provided by operating activities:					
Amortization/depreciation	21	1,509,418	812,453	1,174,479	583,992
Impairment/write-offs for receivables	4	228,560	108,354	177,842	77,885
Deferred income taxes	8	-	(389,491)	-	(302,312)
Non-cash compensation from stock-options	18	179,145	227,655	139,393	163,638
Other non-cash transactions		(88,923)	28,043	(68,109)	22,273
Changes in operating assets and liabilities:					
Trade receivables		(231,644)	172,192	(180,242)	123,772
Other current assets		(61,720)	(74,925)	(48,024)	(68,440)
Security deposits		254,577	(336,030)	198,086	(241,538)
Trade payables		340,568	78,973	264,996	56,766
Provisions		170,041	-	132,309	-
Other liabilities and tax liabilities		216,400	(158,258)	162,594	(115,150)
Deferred revenue		21,835	89,747	16,517	69,302
TOTAL ADJUSTMENTS		**2,538,257**	**558,713**	**1,969,841**	**370,188**
CASH FLOW FROM OPERATING ACTIVITIES		**(603,530)**	**602,499**	**(456,854)**	**401,663**
Proceeds from/used in continued operations		621,708	1,945,489	496,503	1,367,004
Proceeds from/used in discontinued operations		(1,225,238)	(1,342,990)	(953,357)	(965,341)
CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment	6, 12	(435,135)	(263,559)	(338,579)	(189,446)
Investments in intangible assets	7, 12	(432,455)	(926,269)	(336,493)	(665,803)
NET CASH USED IN INVESTING ACTIVITIES		**(867,590)**	**(1,189,828)**	**(675,072)**	**(855,249)**
Proceeds from/used in continued operations		(867,590)	(1,189,828)	(675,072)	(855,249)
Proceeds from/used in discontinued operations		--	--	--	--
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of financial lease	12	(284,282)	(239,919)	(221,200)	(172,454)
NET CASH USED IN FINANCING ACTIVITIES		**(284,282)**	**(239,919)**	**(221,200)**	**(172,454)**
Proceeds from/used in continued operations		(284,282)	(239,919)	(221,200)	(172,454)
Proceeds from/used in discontinued operations		--	--	--	--
Effects of exchange rate changes on cash		**14,655**	**(12,440)**	**(6,697)**	**40,556**
CHANGE IN CASH AAND CASH EQUIVALENTS		**(1,740,747)**	**(839,688)**	**(1,359,822)**	**(585,484)**
CASH AND CASH EQUIVALENTS – start of period		**2,735,520**	**3,575,208**	**2,112,368**	**2,697,852**
CASH AND CASH EQUIVALENTS – end of period		**994,773**	**2,735,520**	**752,546**	**2,112,368**
PAYMENTS INCLUDED IN CASH FLOW FROM OPERATING ACTIVITIES					
Income tax receipts/(payments)		(27,209)	(72,743)	(21,171)	(52,287)
Interest payments		(58,036)	(22,662)	(45,158)	(16,290)
Interest receipts		413	292	321	210

Notes to the Consolidated Financial Statements 2012

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, find artworks that are currently available in *artnet Galleries* or on *artnet Auctions*.

Applying § 315a of the German Commercial Code (HGB), accompanying consolidated financial statements as of December 31, 2012, 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 2, 2013.

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. 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 US 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, 2012. The principal accounting policies adopted are set out below.

Basis of Consolidation and Consolidated Companies

The consolidated financial statements include the legal parent company, artnet AG, its wholly owned subsidiary, Artnet Corp., as well as the subsidiaries of this company. Control is achieved where the company has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities.

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 Corp. established artnet France sarl, which is a wholly owned subsidiary of Artnet Corp. artnet France sarl published a magazine online in French, conducted sales, and provided customer service for Artnet Corp. in France.

All significant inter-company 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, 2012, through December 31, 2012. 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, and other sales related 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 quoted in an active market. They are included in current assets, except for 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 that have been settled but cash has not yet 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.

Property and Equipment

Property and equipment are valued at historical cost less 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 ten 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 mostly three years. All intangible assets have a finite 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. Direct 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 property plant and equipment and other 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 based on the results for the year of the individual consolidated company as adjusted for items, which are non-taxable or non-deductible. It is calculated using rates that have been enacted as of 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 carry forwards 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 carry forwards is based on a projected budget 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign Currency Translation and 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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Current Rate Year End	0.757	0. 772	0.619	0. 647
Average Rate for the Year	0. 778	0. 719	0.631	0. 623

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 expense 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 present obligation as a result of 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 at present value by discounting the expected future cash flow at a pretax rate that reflects current market assessments of the value of money.

Leasing

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 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 rents 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 on a straight-line basis over the lease term.

Group as Lessor

Rental income from operating leases is recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Discontinued Operations

Discontinued operations relate to a division (component of an entity) that is discontinued and can be clearly delimited from the entity's other activities, from both an operating perspective and also for financial reporting purposes. In addition, the division qualifying as discontinued operations must represent a major business line or specific geographic division of the group. The result from the discontinued operations is disclosed separately in the group's statement of comprehensive income as discontinued operations. The previous year's figures in the income statement are adjusted accordingly. The cash flows from discontinued operations are disclosed separately in the cash flow statement, and the previous year's figures are adjusted accordingly.

Retirement Benefit Costs

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 grant. The fair value determined at the grant date minus the fair value of any consideration received at 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

Company-held shares are reported at cost in a separate equity line-item.

New or Revised Standards and Interpretations Not Yet Applied

In fiscal year 2012, the group did not apply any standards or interpretations that led to any changes.

The following new or revised standards and interpretations for which application was mandatory in fiscal 2012 did not have any material impact on the company's consolidated financial statements:

Standard (IFRS) or Interpretation (IFRIC)		Mandatory Application in the EU	Endorsed by the European Commission
IFRS 7*	Disclosures—Transfer of Financial Assets	July 1, 2011	October 8, 2010

* Amendments (changes to existing standards)

New or Revised Standards and Interpretations Not Yet Applied

The following standards, interpretations, and changes, for which application was not yet mandatory on December 31, 2012, or which had not yet been endorsed by the EU, were not applied. The application of this standard does not have a significant impact on the presentation of the interim consolidated financial statements in 2012, unless otherwise noted.

Standard (IFRS) or Interpretation (IFRIC)		Mandatory Application in the EU	Endorsed by the European Commission
IFRS 1*	First-Time Application of IFRS—Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	January 1, 2013	December 29, 2012
IFRS 1*	Government Loans	January 1, 2013	March 5, 2013
IFRS 7*	Financial Instruments: Disclosures—Offsetting of Financial Assets and Liabilities	January 1, 2013	December 29, 2012
IFRS 9	Financial Instruments	January 1, 2015	Not yet scheduled
IFRS 10	Consolidated Financial Statements	January 1, 2014	December 29, 2012
IFRS 11	Joint Arrangements	January 1, 2014	December 29, 2012
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014	December 29, 2012
IFRS 13	Fair Value Measurement	January 1, 2013	December 29, 2012
IFRS 10*, IFRS 12* and IAS 27*	Investment Companies	January 1, 2014	Q3 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	December 29, 2012
IAS 1*	Presentation of Financial Statements: Presentation of Other Comprehensive Income	July 1, 2012	June 6, 2012
IAS 12*	Deferred Tax—Recovery of Underlying Assets	January 1, 2013	December 29, 2012
IAS 19*	Employee Benefits	January 1, 2013	June 2012
IAS 27*	Consolidated and Separate Financial Statements	January 1, 2014	December 29, 2012
IAS 28*	Interests in Associated Companies and Joint Ventures	January 1, 2013	December 29, 2012
IAS 32*	Financial Instruments: Presentation—Offsetting of Financial Assets and Liabilities	January 1, 2014	December 29, 2012

* Amendments (changes to existing standards)

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 of development costs, the impairment of capitalized development costs for the *artnet Analytics* product, 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.

Restricted cash amounts to 0 EUR and 5,197 EUR as of December 31, 2012, and December 31, 2011, respectively.

4 Accounts Receivable

Net accounts receivable consist of the following:

	12/31/12 EUR	12/31/2011 EUR
Gross Accounts Receivable	1,298,798	1,200,697
Less: Allowance for Doubtful Accounts	(375,068)	(260,178)
Net Accounts Receivable	923,730	940,519

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 large number of customers that have a remaining balance. Trade receivables are rated at fair value.

Aging of past due but not impaired:

	12/31/12 EUR	12/31/11 EUR
Overdue but Not Impaired Receivables Between 0 and 60 days	718,631	797,547
Carrying Amounts of Impaired Receivables		
Overdue Between 61 and 90 days	78,335	46,985
Overdue More than 90 days	126,764	95,987
	205,059	142,972
Net Accounts Receivable	923,730	940,519

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 past due less than 60 days are not provided for. Accounts receivable past due more than 60 days 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.

The movements in the allowance for doubtful accounts were as follows:

	Year ended 12/31/2012 EUR	Year ended 12/31/2011 EUR
Balance at the Beginning of the Year	260,178	259,366
Bad Debt Expense of the Year	179.212	77,885
Amounts Written Off as Uncollectible	(55.344)	(90,446)
Exchange Differences	(8.978)	13,373
Balance at the End of the Year	375,068	260,178

5 Prepaids and Other Current Assets

The other current assets are primarily claims to input tax remuneration in the amount of 310,199 EUR (2011: 320,877 EUR), and advance payments made for software contracts in the amount of 37,832 EUR (2011: 32,548 EUR), as well as bank balances for which disposal is limited for the defined-contribution retirement plans in the amount of 102,742 EUR.

In addition, advance payments have been made for software contracts in the amount of 37,832 EUR (2011: 32,548 EUR).

6 Property and Equipment

Changes in property and equipment in the financial years 2012 and 2011 were as follows:

	Computer and Hardware EUR	Fixtures and Furniture EUR	Leasehold Improvement EUR	Total EUR
Cost				
As of December 31, 2010	1,425,940	342,585	121,382	1,889,907
Exchange Differences	36,953	15,860	2,518	55,331
Additions	137,425	135,852	-	273,277
As of December 31, 2011	1,600,318	494,297	123,900	2,218,515
Exchange Differences	(32,760)	43,355	(19,851)	(9,256)
Disposals	(808,084)	(118,485)	(113,346)	(1,039,915)
Additions	214,941	271,028	334,897	820,866
As of December 31, 2012	974,415	690,195	325,600	1,990,210
Depreciation				
As of December 31, 2010	938,930	141,632	98,634	1,179,196
Exchange Differences	41,962	6,632		48,594
Charge for the Year	320,788	41,603	16,441	378,832
Stand 31. Dezember 2011	1,301,680	189,867	115,075	1,606,622
Exchange Differences	(26,569)	14,125	(5,386)	(17,830)
Disposals	(757,498)	(114,567)	(112,795)	(984,860)
Charge for the Year	213,008	108,868	24,492	346,368
As of December 31, 2012	730,621	198,292	21,386	950,299
Net Book Value				
As of December 31, 2011	298,638	304,430	8,825	611,894
Includes: Finance Lease	150,475	0	0	150,475
As of December 31, 2012	243,793	491,903	304,214	1,039,911
Includes: Finance Lease	239,782	363,694	0	603,476

The cost of depreciation of fixed assets is included in cost of sales.

7 Intangible Assets

Movements in intangible assets in the financial years 2012 and 2011 were as follows:

	Website Development EUR	Software EUR	Total EUR
Cost			
As of December 31, 2010	2,412,959	552,320	2,965,279
Exchange Differences	101,594	10,720	112,314
Additions	632,362	38,456	670,818
As of December 31, 2011	3,146,915	601,496	3,748,411
Exchange Differences	(18,583)	(10,955)	(29,538)
Disposals	(1,951,558)	(493,900)	(2,445,458)
Additions	346,002	192,457	538,459
As of December 31, 2012	1,522,776	289,098	1,811,874
Depreciation			
As of December, 31, 2010	1,702,035	494,281	2,196,316
Exchange Differences	51,500	8,477	59,977
Charge for the Year	161,155	44,004	205,159
As of December 31, 2011	1,914,690	546,762	2,461,452
Exchange Differences	13.938	(5,465)	(44,394)
Disposals	(1,951,558)	(493,900)	(2,392,591)
Charge for the Year	718,235	64,633	782.868
As of December 31, 2012	695,305	112,030	807,335
Net Book Value			
As of December 31, 2011	1,232,225	54,734	1,286,959
Includes: Finance Leases	0	0	0
As of December 31, 2012	827,471	177,068	1,004,539
Includes: Finance Leases	0	190,632	190,632

In previous years, the manufacturing costs for the *artnet Analytics* products, which is allocated to the *artnet Price Database* segment, were capitalized as an internally generated intangible asset. Through December 31, 2011, 1,201,322 EUR had been capitalized. In 2012, the amount of 137,683 EUR was also capitalized as development costs until the market launch in May 2012, resulting in capitalized development costs that totaled 1,399,005 EUR.

The product was officially launched on the market on May 10, 2012. Since this date, scheduled amortization has been performed over an estimated useful life of 10 years.

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 with other artnet products.

As the forecast expectations for 2012 were not met, there is a triggering event on the balance sheet date, with the result that an impairment test for the capitalized development costs was performed on December 31, 2012.

In the impairment test, the recoverable amount of the cash-generating unit was determined using its value in use. The value in use is the present value of the future cash flows that are expected to be obtained from the cash-generating unit over the remaining useful life. The value in use is determined from an internal company perspective via underlying cash flow forecasts. These are based on the medium-term forecast, which is applied on the date of the impairment test, and relates to the remaining useful life of the asset, which was still nine years and five months on the balance sheet date. The cash flow forecasts include previous experiences as well as expectations for future market developments.

The discount rate used for the cash flow was 17.28% before tax, and 12.36% after tax.

As the expected forecasts have been cut based on the actual revenues realized, and as start-up losses are expected in the first forecast years, there was a value in use on December 31, 2012 of 630,105 EUR. The value in use is thus less than the carrying amount of 1,258,000 EUR after scheduled amortization/depreciation, with the result that an extraordinary write-down of 627,895 EUR was performed on the capitalized development costs.

In addition, costs of 198,567 EUR for redesigning the website were capitalized. The website redesign included an end-to-end restructuring of the architecture for 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 allow a significant number of new customers to be gained, in particular in the Galleries segment, and the development costs will thus contribute directly to generating

positive cash flows in the future. Only directly allocable costs from external developers were capitalized. Internal development costs were not capitalized as it was not sufficiently possible to allocate these to internal costs with sufficient reliability. The development work is expected to be completed in the fourth quarter of 2013.

The amortization expenses for intangible assets are included in the cost of sales. Expenses from the extraordinary amortization of development costs for the *artnet Analytics* product are carried as a separate item in the statement of comprehensive income under other expenses. As of December 31, 2012, the Group did not have any material contractual obligations for the acquisition of intangible assets.

8 Taxes and Deferred Taxes

Income Tax Expense/(Benefit)

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

	2012 EUR	2011 EUR
Income Tax Payments in France and Great Britain	21,171	0
US Federal and State Corporation Tax and Subsidiary Tax	0	59,559
Total Current Income Taxes	21,171	59.559
Deferred Taxes		
Tax Loss Carry Forwards	(131,439)	(360,014)
Temporary Differences	131,439	57,702
Total Income Taxes	21,171	(242,753)

Due to its tax loss carry forwards, Artnet Corp. only has to pay the alternative minimum corporation tax.

Deferred Tax Asset

As of the balance sheet date of December 31, 2012, Artnet Corp. has total tax loss carry forwards of 21.2 million EUR (28 million USD) available for offset against future profits. As of December 31, 2011, these tax loss carry forwards amounted to 21 million EUR (27.2 million USD). A deferred tax asset of 1,349,898 EUR (1,495,253 EUR as of December 31, 2011) is recognized in the financial statements for the existing tax loss carry forwards of Artnet Corp. The tax rate used is 43% and represents the average income tax rate of Artnet Corp. The subsidiary has generated positive, taxable earnings in the preceding fiscal years and has already utilized part of its tax loss carry forwards. The recognition of deferred tax assets on tax loss carry forwards is based on a three-year budget. Tax loss carry forwards can be used over a period of 20 years, therefore tax loss carry forwards of Artnet Corp. will begin to expire in 2018 in the amount 2.1 million EUR (2.8 million USD). The remaining unused tax loss carry forwards of Artnet Corp. will expire in subsequent years.

artnet AG has in addition tax loss carry forwards in the total amount of 29.7 million EUR for corporate income tax as well as for trade tax (28.7 million EUR as of December 31, 2009). Based on the German tax law, these tax loss carry forwards cannot be utilized due to the organizational structure of artnet Group.

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

	Deferred Tax Assets 12/31/2012 EUR	Deferred Tax Assets 12/31/2011 EUR
Tax Loss Carryforwards	1,349,898	1,495,253
Fixed Assets	(134,461)	(188,134)
Accounts Receivables	161,279	113,615
Accrued Expenses and Other Liabilities	66,366	52,297
	1,443,082	1,473,031

Tax Rate Reconciliation

The following table reconciles the expected income tax expense/(income) to the income tax expense presented in the financial statements. The tax rate used of 43% is the average income tax rate of the operating Group Artnet Corp., because Artnet Corp. generates the taxable income of the Group companies.

	2012 TEUR	2011 TEUR
Loss or Profit Before Income Taxes	(1,396)	(211)
Expected Income Tax Expense—Tax Rate 43%	(600)	(91)
Non-deductible Expenses and Other Effects	22	(288)
Income tax expense/(income) – prior years	0	0
Reduction of Current Tax Expenses due to Benefit Arising from US-tax Loss Carryforwards	0	(604)
Unused German Tax Loss Carryforwards and Tax Rate Differences	551	739

Income Tax Expense/(Tax Income) as Presented on the Consolidated Statement of Comprehensive Income	27	(243)

9 Accounts Payable

Accounts payable is principally comprised of amounts outstanding for ongoing 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:

	December 31, 2012 EUR	December 31, 2011 EUR
Outstanding Invoices	209,269	317,563
Remaining Vacation	168,619	149,575
Bonuses and Severance Payments	74,262	204,717
Taxes and Social Security	158,601	0
401(k) Payments	102,178	78,049
Other	33,548	51,830
Total	746,477	801,734

11 Provisions

The provisions in the amount of 128,636 EUR were mostly formed for litigation with a former consultant. The outcome of this litigation cannot yet be foreseen.

12 Liabilities from Finance Leases

In addition to the lease agreements concluded in previous years, Artnet Corp. concluded five additional finance leases with three or four-year terms in 2012. 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:

December 31, 2012	Total EUR	< 1 year EUR	> 1–3 years EUR
Present Value of Minimum Lease Payments	592,023	225,171	366,852
Interest	66,256	36,750	29,506
Minimum Lease Payments	658,279	261,921	396,358

December 31, 2011	Total EUR	< 1 year EUR	> 1–3 years EUR
Present Value of Minimum Lease Payments	150,475	99,852	50,623
Interest	12,990	8,452	4,538
Minimum Lease Payments	163,465	108,304	55,161

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

13 Deferral Rent Incentive

Non-current liabilities from deferrals for the rent incentive relate to the advantages from rent-free periods in the amount of 202,663 EUR for the office premises rented in New York in fiscal year 2012. These are to be deferred over the term of the rental agreement.

14 Deferred Revenue

Kunden leisten bei bestimmten Verträgen für die von artnet zu erbringenden Leistungen Vorauszahlungen. Die vorausgezahlten Beträge werden periodengerecht erst dann als Umsatzerlöse realisiert, wenn artnet die vereinbarte Leistung erbringt, und zuvor in dem Passivposten Umsatzabgrenzung erfasst. Die Umsatz-abgrenzung betrug zum 31. Dezember 2012 EUR 1.332.152 gegenüber EUR 1.342.939 zum Vorjahresstichtag.

15 Share Capital

	12/31/2012	12/31/2011
Authorized Ordinary Shares at No Par Value (calculated value 1.00 EUR per share)	5,631,067	5,631,067
Issued and Fully Paid Ordinary Shares at No Par Value (calculated value 1.00 EUR per share)	5,552,986	5,552,986
Treasury Shares at No Par Value	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 15, 2009, 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 14, 2014, through the issue of 2,800,000 new no-par value bearer shares in exchange for cash contributions or contributions in kind (Authorized Capital 2009/I).

In 2010 and 2009, no common shares were issued under the Authorized Capital 2004/I and under the Authorized Capital 2009/I.

The entry of the amendments of the articles of incorporation in the Company's commercial register, as required for the effectiveness of these resolutions by the Shareholders' Meeting, took place on February 2, 2010.

Conditional Capital

The Shareholders' Meeting on July 15, 2009, conditionally increased the capital stock by 560,000 through the issue of up to 560,000 EUR new no-par value bearer shares to members of the Company's Board of Directors, members of the management of affiliated entities, and employees of artnet AG or its affiliated entities (Conditional Capital 2009/I).

No shares have yet been issued from conditional capital.

Treasury Shares

As of December 31, 2012, 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 current share capital. At no point may the acquired shares, together with other own 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 Risk Management

The capital structure of the artnet Group consists of current liabilities and equity attributable to shareholders of the parent, mainly comprised of issued capital, additional paid-in capital, and accumulated deficit. In 2011 and 2010, Artnet Corp. entered into various finance lease arrangements, which will require payments over the next three years. Additionally, in 2011, Artnet Corp. entered into an operating lease agreement for new office space, which will require payment over the next 10 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 amortised cost. Liabilities arising from finance leases are measured with their present value in accordance with IAS 17.

No financial assets or financial liabilities were designated at fair value through profit or loss.

In the business years 2011 and 2012, the artnet Group has not used any derivative financial instruments.

The carrying amounts of the financial assets and liabilities approximate their fair values.

The following schedule shows the net result arising from financial assets and liabilities:

	Net Results 2012 EUR	Net Results 2011 EUR
Financial Assets	(152,492)	(134,621)
Financial Liabilities	(42,517)	(15,521)
Total	(195,009)	(150,142)

The components of the net result are interest income and expenses, gains or losses from exchange rate differences, and bad debt expenses for doubtful accounts and write-offs.

Credit Risk

Credit risk refers to the risk that a counterparty will default 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 this is possible.

Liquidity Risk

The artnet Group depends on generating a positive cash flow from operating activities. As a result of the deterioration in the economic situation in the year under review and the extraordinary charges as part of the reorganization and closure of the Paris office and the *artnet Magazine* division, cash and cash equivalents fell substantially and liquidity risk increased accordingly in the year under review. Management's cash flow forecast for fiscal year 2013 predicts revenue growth and, as a result, a relaxation in the financial situation. If the forecast revenue growth fails to materialize, planned capital expenditure could be postponed or implementation of these activities could be extended. Due to the possibility of raising short-term credit funds from the main shareholder in cases when the interim development in liquidity is lower than expected, the Management is convinced that the financing of the Group is ensured in the following year.

The artnet Group faces no material interest rate risk. The Group's companies face several interest-bearing finance leases in the amount of 782,583 EUR in 2012 (150,475 EUR in 2011). The remaining current liabilities and accrued expenses have a remaining term of less than one year.

The gross cash flows arising from financial liabilities are shown in the following schedule:

12/31/2012	Carrying amount EUR	Gross Cash flow EUR	Gross Cash flow EUR	Gross Cash flow EUR
	12/31/2012	Total	< 1 Year	> 1 Year
Liabilities at Amortized Costs	956,153	956,153	956,153	0
Finance Lease Obligation	592,023	628,279	261,921	396,358
12/31/2011	**Carrying amount EUR**	**Gross Cash flow EUR**	**Gross Cash flow EUR**	**Gross Cash flow EUR**
	12/31/2011	**Total**	**< 1 Year**	**> 1 Year**
Liabilities at Amortized Costs	963,462	963,462	963,462	0
Finance Lease Obligation	150,475	163,464	108,304	55,160

Market Risk—Interest Rate Risk

As the artnet Group does not have any interest-bearing liabilities with the exception of its fixed-interest finance lease agreements in the amount of 592,023 EUR (2011: 150,475 EUR), the group is only exposed to minor interest rate risks.

Market Risks—Foreign Currency 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 have 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 other currencies as the US dollar at the reporting date, are as follows:

	Monetary Assets		Monetary Liabilities	
Foreign Currency	**12/31/2012 TEUR**	**12/31/2011 TEUR**	**12/31/2012 TEUR**	**12/31/2011 TEUR**
	12/31/2012	**Sum**	**< 1 year**	**> 1 year**
EUR	497	640	278	200
GBP	212	482	17	5

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 period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity.

Against USD	**EUR 12/31/2012 TEUR**	**EUR 12/31/2011 TEUR**	**GBP 12/31/2012 TEUR**	**GBP 12/31/2011 TEUR**
+ 10 %				
Profit	(31)	(26)	(16)	(39)
Equity	11	(14)	(2)	(1)
- 10 %				
Profit	38	32	19	48
Equity	(14)	17	3	1

18 Share Based Payments

Stock Option Plan

Conditional Capital 2009/I serves 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. Of this amount, up to 290,000 shares are available for the granting of options to employees of the Company and affiliated entities; up to 240,000 shares are available for the granting of rights to the members of management of entities affiliated with artnet AG; and up to 30,000 shares are available for issue to the Board of Directors.

In 2009 and 2010 stock option plans were granted to the Management and employees of the subsidiary Artnet Corp. from the 2009 Stock Option Programs.

The number of outstanding options remained constant each year at 323,907, as no options were granted in 2012, no options were forfeited, and no options granted in previous years were waived. As was the case in the previous year, the outstanding options could not be exercised. The weighted average exercise price for the outstanding options totaled 4.85 EUR on December 31, 2012, unchanged from the previous year. The options outstanding on December 31, 2012 had a weighted average remaining term of 7.14 years (December 31, 2011: 8.14 years).

The fair value of the stock options was calculated in 2009 and 2010 for the date on which the options were granted based on the binomial model, on the basis of the assumptions of financial statements of prior years.

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, independently of the further performance of the artnet share price over their term. 139,393 EUR was spent on share-based payment in the fiscal year 2012, while 163,638 EUR was spent in 2011.

In the event of a cancelation of the option acceptance, irrespective of the canceling party, the pro-rata allocation

of personnel expenses must be stated, as the company no longer receives any compensation from the option beneficiary. The option expenses not yet recorded are to be recognized immediately according to the amounts still expected. In so doing, this must be based on the framework quantities to be expected if the acceptance were to be fulfilled, and not the actual status on the date of the cancelation. Given this background, as a result of the exit of five employees who receive share-based payments, expenses of 35,279 EUR had to be recorded in fiscal year 2012.

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	2012 EUR	2011 EUR
Cost of Sales	4,344,454	3,870,243
Sales and Marketing	1,038,548	898,669
General and Administrative	1,167,750	1,298,548
Product Development	1,378,373	952,105
Total Personnel Expenses	7,929,125	7,019,564

The total personnel costs include social security expenses of 833,816 EUR and 783,285 EUR, and 401(k) expenses of 102,792 EUR and 95,211 EUR, as of December 31, 2012, and December 31, 2011, respectively. The personnel expenses for the fiscal year 2012 include the expense of severance payments in the amount of 208,000 EUR (2011: 240,000 EUR).

As of December 31, 2012, there were 118 full-time employees, as compared with 114 in the previous year. Additionally, the Group employed 10 part-time employees in 2012, as compared to 18 in the previous year, and 10 sales and other consultants, as compared to 11 in 2011.

The average number of employees in fiscal years 2012 and 2011 was 118 and 112 respectively. The employees were engaged in the following activities:

	12/31/2012	12/31/2011
Cost of Sales	92	84
Selling and Marketing	11	8
General and Administrative	9	9
Product Development	6	11
Total	118	112

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 USA for all qualifying employees. The assets of the plan are held separately from those of Artnet Corp. in funds under control of 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 2012 and 2011, the matching contributions were 102,792 EUR and 95,211 EUR, respectively.

21 Earnings Per Share

Basic earnings per share are calculated by dividing net income by the weighted-average number of common shares outstanding 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 shares outstanding increases by adding the potential number of shares from stock option conversions.

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

	Year Ended 12/31/2012 EUR	Year Ended 12/31/2011 EUR
Numerator (Earnings):		
Net result for the year retained for equity shareholders	(2,426,695)	31,475
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 Shares: Stock options	0	0
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,552,986	5,552,986

The average share price in 2012 (4.35 EUR) is less than the weighted average exercise price (4.85 EUR). In consequence, 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:

	2012 EUR	2011 EUR
Amortization/Depreciation	501,341	583,992
Personnel Expenses	7,929,124	7,019,564

During the year under review, scheduled amortization of intangible assets was recorded in the amount of 154,973 EUR, compared to 205,159 EUR in the previous year.

Depreciation and amortization are presented in the consolidated statement of comprehensive income as part of cost of sales.

In addition, extraordinary amortization of capitalized development costs was performed in the amount of 627,895 EUR. See Section 7.

Other Income and Expense

During the year under review, the other income and expenses include the income from the reversal of accruals in the amount of 160,000 EUR, which is offset by expenses for litigation proceedings in the amount of 92,000 EUR and other non operating expenses in the amount of 116,000 EUR. In 2011, there was income from foreign currency translation totaling 135,254 EUR, write-off assets of 32,218 EUR, and expenses from previous years of 1,207 EUR.

Interest Income and Expense

The interest recorded on current cash deposits is carried as interest income. Interest expenses for liabilities from finance leases totaled 42,517 EUR in the year under review, and 14,720 EUR in 2011.

23 Discontinued Operations

In June 2012, the Management of the Company decided to discontinue the *artnet Magazine*.

The loss from discontinued operations includes the ongoing personnel and material costs that are directly allocable to the former segment, the closure costs incurred in 2012 and proportionate overheads that are allocated via a caused-based break-down. The costs of closing the Paris office are only allocated to discontinued operations to the extent that these relate directly to the production of the French magazine, plus proportionate overheads. In the interim financial statements since the six month financial statement of 2012, the costs of the Paris office were allocated in total to discontinued operations. This has been corrected in the consolidated financial statements. The expenses listed in the six month financial statement of 2012 were incorrectly listed as being 744,000 EUR higher than they actually were . As a result, they were allocated to discontinued operations, and accordingly, expenses too low were allocated to continued operations.

The result from discontinued operations is shown under a separate item in the consolidated statement of comprehensive income. The previous year's disclosure has been adjusted retroactively by reclassifying the income and expenses allocated to the discontinued operations.

Detailed presentation of the income and expenses allocated to the discontinued operations can be found in the segment reporting in the following section.

No more assets were to be allocated to the *artnet Magazine* division (discontinued operations) as of December 31, 2012. In contrast, 52,441 EUR of the provisions were due to the discontinued operations.

In the cash flow statement, the cash flow due to the discontinued operations is shown separately.

24 Segment Reporting

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

The Group's reporting is based on the following four segments (vs. five segments in 2011):

- The *artnet Galleries* segment presents the member galleries' artworks that are available for sale 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, or *artnet market alert*, 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 an online platform to buy and sell artworks online

The other segments are shown in total as continued operations.

The new cost distribution method resulting from the discontinuation of the *artnet Magazine* was applied to ensure comparability for both 2012 and also retroactively for 2011.

Segment performance is evaluated based on profit or loss before taxes. Not directly attributable expenses are allocated to the reportable segments primarily based on the headcount and revenue for each reportable segment.

A measure of total assets or liabilities for each reportable segment is not provided to Management. Therefore, total assets or liabilities are not disclosed for each reportable segment.

2012 EUR	*artnet Galleries*	*artnet Advertising*	*artnet Auctions*	*artnet Price Database*	Continued Operations Total	Discontinued Operations
Revenue	4,915,582	5,123,047	2,366,673	1,082,247	13,487,549	46,555
Cost of Sales	1,508,476	2,009,209	2,185,483	309,857	6,013,025	848,637
Gross Profit	3,407,106	3,113,838	181,190	772,390	7,474,524	(802,082)
Other Operating Expenses						
Sales and Marketing	817,116	854,876	285,713	179,901	2,137,606	
General and Administrative	1,493,671	1,326,653	794,572	328,856	3,943,752	225,862
Product Development	663,805	696,603	417,216	146,147	1,923,771	
Non Cash Compensation	48,097	50,475	30,231	10,590	139,393	
Total other Operating Expenses	3,022,689	2,928,607	1,527,732	665,494	8,144,522	225,862
Profit from Operations	384,417	185,232	(1,346,542)	106,896	(669,997)	(1,027,944)
Interest Expense/Interest Income and Other Income/ Expense	(27,495)	(656,750)	(17,283)	(6,054)	(707,581)	(2)
Profit Before Tax	356,922	(471,518)	(1,363,825)	100,842	(1,377,578)	(1,027,946)
Income Taxes	(7,305)	(7,666)	(4,592)	(1,608)	(21,171)	
Continuing Operations	349,617	(479,184)	(1,368,417)	99,234	(1,398,749)	(1,027,946)
Discontinued Operations					(1,027,946)	
Net Profit					(2,426,695)	

2011 EUR	*artnet Galleries*	*artnet Advertising*	*artnet Auctions*	*artnet Price Database*	Continued Operations Total	Discontinued Operations
Revenue	4,885,097	4,695,442	2,079,859	1,584,684	13,245,082	95,584
Cost of Sales	1,423,009	1,612,635	1,671,056	432,766	5,139,466	795,551
Gross Profit	3,462,088	3,082,807	408,803	1,151,918	8,105,616	(699,967)
Other Operating Expenses						
Sales and Marketing	871,642	477,896	227,320	268,169	1,845,027	
General and Administrative	1,194,920	1,165,265	707,835	387,622	3,455,642	269,684
Product Development	560,828	561,706	437,016	181,680	1,741,229	
Non Cash Compensation	53,497	57,723	35,064	17,354	163,638	
Total other Operating Expenses	2,680,887	2,262,590	1,407,235	854,825	7,205,536	269,684
Profit from Operations	781,201	820,217	(998,432)	297,093	900,080	(969,651)
Interest Expense/Interest Income and Other Income/ Expense	(46,328)	(49,986)	(30,365)	(15,028)	(141,707)	
Profit Before Tax	734,873	770,230	(1,028,797)	282,065	758,372	(969,651)
Income Taxes			242,753		242,753	
Continuing Operations	734,873	770,230	(786,044)	282,065	1,001,126	(969,651)
Discontinued Operations					(969,651)	
Net Profit					31,475	

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

2012 EUR	*artnet Galleries*	*artnet Price Database*	*artnet Auctions*	*artnet Advertising*	Discontinued Operations	Total
Scheduled Amortization/	174,021	182,813	108,351	36,156	0	501,341
Non-scheduled Amortization/		627,895			0	627,895
Write-downs on Receivables	61,731	64,850	38,436	12,826	0	177,843
2011 EUR	***artnet Galleries***	***artnet Price Database***	***artnet Auctions***	***artnet Advertising***	**Discontinued Operations**	**Total**
Scheduled Amortization/	189,512	208,792	124,212	61,476	0	583,992
Write-downs on Receivables	23,942	26,065	15,632	7,767	0	73,406

In fiscal year 2012, the extraordinary write-downs for the *artnet Price Database*, in the amount of 627,895 EUR, are fully related to the *artnet Analytics* product development costs.

25 Information about Geographies

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 geographical market:

Revenue	2012 EUR	2011 EUR
United States	7,505,041	7,487,743
Europe	4,649,592	5,153,325
Other	1,332,916	604,014
Total	13,487,549	13,245,082

Assets by Geographical Area

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 geographical area in which the assets are located.

	Carrying Amount of Segment Assets		Additions to Fixed Assets	
	12/31/2012 EUR	12/31/2011 EUR	12/31/2012 EUR	12/31/2012 EUR
United States	5,497,769	7,011,424	1,342,976	925,238
Germany	447,022	199,000	16,349	10,719
London	26,674	30,690	0	0
France	38,026	195,816	0	8,139
Total	**6,009,491**	**7,436,930**	**1,359,325**	**944,096**

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

The Group's companies' scheduled amortization/depreciation was mostly due to the Group's non-current assets in the United States in the amount of 462,188 EUR (530,670 EUR in 2011).

26 Contingent Liabilities and Other Obligation

Artnet Corp. has rented its offices in New York as part of non-cancelable leases (operating leases) with a term through to April 31, 2022.

artnet AG leases its Berlin office under a non-cancelable operating lease continuing through November 30, 2013. artnet France sarl closed it's Paris office at the end of October 2012. For the office in Berlin, the Group has the option to prolong the lease term by up to six years. artnet UK Ltd. leases its London office under an operate lease, which is cancelable at short notice. Future minimum rental payments required as of December 31, 2012, and December 31, 2011 are as follows:

	12/31/2012 EUR	12/31/2011 EUR
Lease Payments		
Expiring in less than one year	648,185	633,652
Expiring between two and five years	2,762,083	2,616,712
Expiring in more than five years	4,302,947	4,779,501
Total	7,713,215	8,029,865
Proceeds from Sublease		
Expiring in less than one year	0	17,224
Expiring between two and five years	0	0
Expiring in more than five years	0	0
	0	17,224
Total	7,713,215	8,012,641

Rent expenses for the Group offset by proceeds from the sublease amounted to 738,493 EUR and 493,910 EUR for the years ended December 31, 2012, and December 31, 2011, respectively. Proceeds from the sublease amounted to 4,306 EUR and 62,394 EUR in 2012 and 2011, respectively.

27 Audit Fee

Auditor's fees and expenses for the audit of the statutory financial statements of the Company and the consolidated financial statements amounted to 68,204 EUR and 54,000 EUR in 2012 and 2011, respectively. In addition, the Company recorded 33,520 EUR in 2012 and 16,700 EUR in 2011 for other services. All fees are recognized as expenses in 2012 and 2011, respectively.

28 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

Mr. Jacob Pabst's election to artnet AG's Management Board took effect on July 12, 2012. The previous sole member of the Board of Directors, Hans Neuendorf, announced that he was resigning from office during the course of the general meeting on August 8, 2012. Two members of the Board of Directors worked for the company during the transitional period.

In fiscal years 2012 and 2011, Mr. Neuendorf received remuneration from artnet AG as a Management Board member in the following amount:

	January 1–August 8, 2012 EUR	2011 EUR
Fixed Salary	265,223	400,000
Value of Additional Payments (Company Car)	4,575	8,302
Fixed Remuneration Components	269,798	408,302
Bonus (Variable Compensation)	0	155,000
Total	**269,798**	**563,302**

Mr. Neuendorf waived the variable compensation that he was paid last year as part of his resignation as CEO in August 2012. The income incurred is recorded in the consolidated income statement as other income.

Mr. Neuendorf and companies he controls own 1,505,161 shares of artnet AG.

In 2012, Mr. Jacob Pabst received remuneration from Artnet Corp. as a Management Board member in the following amount:

	July 12–December 31, 2012 EUR
Fixed Salary	106,989
Value of Additional Payments (Health Insurance)	2,475
Fixed Remuneration Components	109,464
Bonus (Variable Compensation)	0
Total	**109,464**

Supervisory Board

John D. Hushon, Naples, FL, USA, Chairman

Prof. Walter Rust, Berlin, Germany, Deputy Chairman

Dr. Jochen Gutbrod, Potsdam, Germany

Remunerations in the following amounts were paid to the members of the Supervisory Board in fiscal years 2012 and 2011:

	2012 EUR	2011 EUR
John D. Hushon	50,000	45,000
Prof. Walter Rust	37,500	-
Dr. Jochen Gutbrod	25,000	-
Dr. Christian Dohm	-	33,750
Hannes von Goesseln	-	22,500
Total	**112,500**	**101,250**

Mr. Hushon holds 53,054 shares of artnet AG. He has sold artworks on *artnet Auctions* and paid vender commissions to Artnet Corp. in the amount of 6,100 USD in the reporting period (2011: 0 USD).

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

On August 10, 2012, a consulting agreement was concluded with Galerie Neuendorf AG for a two-year period. Hans Neuendorf is Galerie Neuendorf's CEO. The agreement is for ongoing strategic advice concerning product development and business growth, in particular at an international level. The agreement has annual lump-sum remuneration of 360,000 EUR. A consulting fee of 160,000 EUR and reimbursement for out-of-pocket expenses of 19,259 EUR has been expensed to date for 2012. As of December 31, 2012, liabilities to Galerie Neuendorf AG totaled 107,000 EUR. In an agreement signed on March 31, 2013, Mr. Neuendorf deferred his claims already occurred and his claims accrued until December 31, 2013, which came from the consultancy contract, until March 31, 2014.

Galerie Neuendorf AG sold artworks via the *artnet Auctions* platform and paid seller's commission to Artnet Corp. totaling

1,327 EUR in the year under review and 3,630 EUR in the previous year. In January 2012, Galerie Neuendorf AG received a short-term loan for 85,000 USD from the artnet Group, which was repaid on February 20, 2012.

Ms. Sophie Neuendorf, a related party of Mr. Neuendorf, works for artnet AG social media account manager. Her salary totaled 36,707 EUR in the fiscal year and 20,214 EUR in 2011.

Ms. Caroline Neuendorf, who is also related party of Mr. Neuendorf, was paid commission for the sale of *artnet Monographs* in 2012 in the amount of 800 EUR.

29 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 and belief 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 Income Taxes

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 on the future cash flows. The cash flow expectations are based on the Management's best estimates. However, the actual amounts could differ from the forecasts.

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

March 8, 2012

Artis Partners 2X (Institutional), L.P., with its registered office in San Francisco, CA, United States, informed us that its share of the voting rights in artnet AG exceeded the threshold of 5% on March 1, 2012, and on this date such amounts to 5.72% (322,118 voting rights) of the total of 5,631,067 voting rights in artnet AG.

June 4, 2012

1. Artis Partners 2X (Institutional), L.P., (a limited partnership according to the laws of the US state of Delaware) in San Francisco, CA, United States, informed us that its share of the voting rights in artnet AG fell below the threshold of 5% and 3% on May 29, 2012, and on this date such amounts to 2.32% (130,641 voting rights) of the total of 5,631,067 voting rights in artnet AG.

2. Artis Partners 2X Ltd., in San Francisco, CA, United States, informed us that its share of the voting rights in artnet AG fell below the threshold of 5% and 3% on May 29, 2012, and on this date such amounts to 2.98% (167,712 voting rights) of the total of 5,631,067 voting rights in artnet AG.

3. Artis Capital Management L.P., with its registered office in San Francisco, CA, United States, informed us that its share of the voting rights in artnet AG fell below the threshold of 15% and 10% on May 29, 2012, and on this date such amounts to 7.47% (420,552 voting rights) of the total of 5,631,067 voting rights in artnet AG. The total voting rights of 7.47% are attributed to Artis Capital Management L.P. via parties including Artis Partners 2X (Institutional), L.P. and Artis Partner 2X Ltd., within the meaning of Section 22 (1), sentence 1, No. 6 of the WpHG.

4. Artis Capital Management Inc., with its registered office in San Francisco, CA, USA, informed us that its share of the voting rights in artnet AG fell below the threshold of 15% and 10% on May 29, 2012, and on this date such amounts to 7.47% (420,552 voting rights) of the total of 5,631,067 voting rights in artnet AG. The total voting rights of 7.47% are attributed to Artis Capital Management Inc. via parties including Artis Partners 2X (Institutional), L.P. and Artis Partner 2X Ltd., within the meaning of Sections 22 (1), sentence 1, No. 6, 22 (1) sentence 2 of the WpHG.

5. Mr. Stuart L. Peterson, United States, informed us that his share of the voting rights in artnet AG fell below the threshold of 15% and 10% on May 29, 2012, and on this date such amounts to 7.47% (420,552 voting rights) of the total of 5,631,067 voting rights in artnet AG. The total voting rights of 7.47% are attributed to him via parties including Artis Partners 2X (Institutional), L.P. and Artis Partner 2X Ltd., within the meaning of Sections 22 (1), sentence 1, No. 6, 22 (1) sentence 2 WpHG.

June 4, 2012 - Correction of Notification

1. Redline Capital Management, Société Anonyme, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 3% and 5% of voting rights on May 29, 2012, and on this date such amounts to 9.07% (510,783 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 Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 3% and 5% on May 29, 2012, and on this date such amounts to 9.07% (510,783 voting rights) of the total of 5,631,067 voting rights in artnet AG. The total voting rights of 9.07% are attributed to Instacom International S.A. SPF via Redline Capital Management, Société Anonyme, within the meaning of Section 22 (1), sentence 1, No. 1. of the WpHG.

3. Mr. Vladimir Evtushenkov, Russia, informed us that his share of the voting rights in artnet AG exceeded the threshold of 3% and 5% on May 29, 2012, and on this date such amounts to 9.07% (510,783 voting rights) of the total of 5,631,067 voting rights in artnet AG. The total voting rights of 9.07% are attributed to him via Instacom International S.A. SPF and Redline Capital Management, Société Anonyme, within the meaning of Section 22 (1), sentence 1, No. 1 WpHG.

June 18, 2012

1. Weng Fine Art AG, with its registered office in Krefeld, Germany, informed us that its share of the voting rights in artnet AG exceeded the threshold of 3% on June 1, 2012, and on this date such 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 that his share of the voting rights in artnet AG exceeded the threshold of 3% on June 1, 2012, and on this date such amounts to 4.03% (227,100 voting rights) of the total of 5,631,067 voting rights in artnet AG. The entire voting rights (4.03%), or 227,100 of the total of 5,631,067 voting rights in artnet AG, are attributable to Mr. Weng within the meaning of Section 22 (1), sentence 1, No. 1 of the WpHG. Of this total, 3.55% of the voting rights, or 200,000 of the total of 5,631,067 voting rights in artnet AG, are attributable to him via Weng Fine Art AG.

June 19, 2012

1. Redline Capital Management, Société Anonyme, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 3% and 5% of voting rights on May 29, 2012, and on this date such amounts to 9.07% (510,783 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 Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 3% and 5% on May 29, 2012, and on this date such amounts to 9.07% (510,783 voting rights) of the total of 5,631,067 voting rights in artnet AG. The total voting rights of 9.07% are attributed to Redline Capital Management, Société Anonyme, within the meaning of Section 22 (1), sentence 1, No. 1 of the WpHG.

3. Mr. Vladimir Evtushenkov, Russia, informed us that his share of the voting rights in artnet AG exceeded the threshold of 3% and 5% on May 29, 2012, and on this date such amounts to 9.07% (510,783 voting rights) of the total of 5,631,067 voting rights

in artnet AG. The total voting rights of 9.07% are attributed to Instacom International S.A. SPF and Redline Capital Management, Aktiengesellschaft, within the meaning of Section 22 (1), sentence 1, No. 1 of the WpHG.

July 2, 2012

1. Weng Fine Art AG, with its registered office in Krefeld, Germany, informed us that its share of the voting rights in artnet AG exceeded the thresholds of 5% and 10% on June 27, 2012, and on this date amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG. Of this total, 6.40% of the voting rights, or 360,485 of the total of 5,631,067 voting rights in artnet AG, are allocable to Weng Fine Art AG via Redline Capital Management, Société Anonyme, with its registered office in Luxembourg, Luxembourg, according to Section 22 (2) of the WpHG.

2. Mr. Rüdiger K. Weng, Germany, informed us that his share of the voting rights in artnet AG exceeded the threshold of 5% and 10% on June 27, 2012, and on this date such amounts to 10.24% (576,485 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Mr. Rüdiger K. Weng's total voting rights are allocated as follows: 3.84%, corresponding to 216,000 of the total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Rüdiger K. Weng, according to Section 22 (1) Sentence 1 No. 1 of the WpHG; of these voting rights, Mr. Rüdiger K. Weng is allocated 3.61%, or 203,000 of a total of 5,631,067 voting rights in artnet AG, via Weng Fine Art AG.; 6.40%, or 360,485 of the total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Rüdiger K. Weng via Redline Capital Management, Société Anonyme, with its registered office in Luxembourg, Luxembourg according to Section 22 (2) of the WpHG.

July 2, 2012

1. Redline Capital Management, Société Anonyme, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 10% of voting rights on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Of this total, 3.61% of the voting rights, or 203,000 of the total of 5,631,067 voting rights in artnet AG, are allocable to Redline Capital Management, Société Anonyme via Weng Fine Art AG, with its registered office in Krefeld, Germany, according to Section 22 (2) of the WpHG.

2. Instacom International S.A. SPF, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 10% of voting rights on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Instacom International S.A. SPF's total voting rights are allocated as follows:

3. Mr. Vladimir Evtushenkov, Russia, informed us that his share of the voting rights in artnet AG exceeded the threshold of 10% on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG.

July 26, 2012

1. On June 27, 2012, Weng Fine Art AG, with its registered office in Krefeld, Germany, informed us that its share of the voting rights in artnet AG exceeded the threshold of 5% and 10% on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG. On June 27, 2012, Mr. Rüdiger K. Weng, Germany, informed us that his share of the voting rights in artnet AG exceeded the threshold of 5% and 10% on June 27, 2012, and on this date such amounts to 10.24% (576,485 voting rights) of the total of 5,631,067 voting rights in artnet AG.

With regard to the targets pursued with the acquisition of voting rights and the origin of the funds used for their acquisition, Mr. Rüdiger K. Weng provided the following information for himself personally and for Weng Fine Art AG on July 25, 2012 according to Section 27a (1) of the WpHG:

1. Objective of the acquisition of voting rights (Section 27a (1) Sentence 1 in connection with Sentence 3 of the WpHG)

a. The investment serves to implement strategic objectives

b. After the reporting parties acquired further shares of artnet AG after exceeding the thresholds, they do not currently intend to acquire further voting rights in artnet AG either via an acquisition or in any other manner within the next twelve months

c. The reporting parties aim to influence the memberships of administrative, Management, and supervisory bodies of artnet AG

d. The reporting parties do not currently aim to make any material changes to artnet AG's capitalization, in particular with regard to the relationship between equity and borrowing and the dividend policy

2. Origin of the funds used to acquire voting rights (Section 27a (1) Sentence 4 of the WpHG)

The voting rights were acquired using equity.

2. On June 27, 2012, Redline Capital Management, Société Anonyme, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 10% of voting rights on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG. On June 27, 2012, Instacom International S.A. SPF, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG exceeded the threshold of 10% of voting rights on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG. On June 27, 2012, Mr. Vladimir Evtushenkov, Russia, informed us that his share of the voting rights in artnet AG exceeded the threshold of 10% on June 27, 2012, and on this date such amounts to 10.01% (563,485 voting rights) of the total of 5,631,067 voting rights in artnet AG.

With regard to the targets pursued with the acquisition of voting rights and the origin of the funds used for their acquisition, Redline Capital Management S.A., Instacom International S.A. SPF and Mr. Vladimir Evtushenkov provided the following information on July 25, 2012 according to Section 27a (1) of the WpHG:

1. Objective of the acquisition of voting rights (Section 27a (1) Sentence 1 in connection with Sentence 3 of the WpHG)

a. The investment serves to implement strategic objectives

b. The reporting parties currently intend to acquire further voting rights in artnet AG either via an acquisition or in any other manner within the next twelve months

c. The reporting parties aim to influence the memberships of administrative, management and supervisory bodies of artnet AG

d. The reporting parties do not currently aim to make any material changes to artnet AG's capitalization, in particular with regard to the relationship between equity and borrowing and the dividend policy

2. Origin of the funds used to acquire voting rights (Section 27a (1) Sentence 4 of the WpHG)

The voting rights were acquired using equity.

August 3, 2012

On August 3, 2012, Ms. Renate Bothe, Germany, informed us that according to Section 21 (1) of the WpHG, her share of the voting rights in artnet AG, Berlin, Germany, exceeded the threshold of 3%, 5%, and 10% on August 3, 2012, as a result of the power of attorney to exercise voting rights at the general meeting of artnet AG on August 8, 2012, and on this date such amounts to 12.58% (708,180 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Of this total, 8.88%, or 500,000 voting rights of the total of 5,631,067 voting rights in artnet AG, are allocable to Ms. Renate Bothe via Mr. Robert de Rothschild, New York, United States, according to Section 22 (1) Sentence 1 No. 6 of the WpHG.

2.16%, or 121,680 noting rights of a total of 5,631,067 voting rights of artnet AG, are allocated to Ms. Renate Bothe via Ms. Christiane Waldbauer, Hamburg, according to Section 22 (1) Sentence 1 No. 6 of the WpHG. 1.33%, or 75,000 of a total of 5,631,067 voting rights of artnet AG, are allocated to Ms. Renate Bothe via B. Metzler seel. Sohn & Co. KGaA, according to Section 22 (1) Sentence 1 No. 6 of the WpHG.

0.2%, or 11,500 of a total of 5,631,067 voting rights of artnet AG, are allocated to Ms. Renate Bothe via Ms. Nicole von Bredow, according to Section 22 (1) Sentence 1 No. 6 of the WpHG.

After the end of artnet AG's general meeting on August 8, 2012, Ms. Renate Bothe is due 0% of the voting rights in artnet AG, which corresponds to 0 voting rights for a total of 5,631,067 voting rights in artnet AG.

August 8, 2012

1. Redline Capital Management, S.A., with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG fell below the threshold of 10% of voting rights on July 23, 2012, and on this date such amounts to 9.94% (559,531 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Of this total, 3.55% of the voting rights, or 200,100 of the total of 5,631,067 voting rights in artnet AG, are allocable to Redline Capital Management S.A. via parties including Weng Fine Art AG, with its registered office in Krefeld, Germany, according to Section 22 (2) of the WpHG.

2. Instacom International S.A. SPF, with its registered office in Luxembourg, Luxembourg, informed us that its share of the voting rights in artnet AG fell below the threshold of 10% of voting rights on July 23, 2012, and on this date such amounts to 9.94% (559,531 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Instacom International S.A. SPF's total voting rights are allocated as follows:

6.38%, or 359,431 of a total of 5,631,067 voting rights in artnet AG, are allocated to Instacom International S.A. SPF within the meaning of Section 22 (1) No. 1 of the WpHG via Redline Capital Management, S.A., 3.55% of the voting rights, or 200,100 of the total of 5,631,067 voting rights in artnet AG, are allocable to Instacom International S.A. via parties including Weng Fine Art AG, with its registered office in Krefeld, Germany, according to Section 22 (2) of the WpHG.

3. Mr. Vladimir Evtushenkov, Russia, informed us that his share of the voting rights in artnet AG fell below the threshold of 10% on July 23, 2012, and on this date such amounts to 9.94% (559,531 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Mr. Vladimir Evtushenkov's total voting rights are allocated as follows:

6.38%, corresponding to 359,431 of the total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Vladimir Evtushenkov, within the meaning of Section 22 (1), sentence 1, No. 1 WpHG via Redline Capital Management, S.A. and Instacom International S.A. SPF.; 3.55% of the voting rights, or 200,100 of the total of 5,631,067 voting rights in artnet AG, are allocable to Mr. Vladimir Evtushenkov via parties including Weng Fine Art AG, with its registered office in Krefeld, Germany, according to Section 22 (2) of the WpHG.

August 8, 2012

1. Weng Fine Art AG, with its registered office in Krefeld, Germany, informed us that its share of the voting rights in artnet AG fell below the threshold of 10% on July 23, 2012, and on this date such amounts to 9.94% (559,531 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Of this total, 6.38% of the voting rights, or 359,531 of the total of 5,631,067 voting rights in artnet AG, are allocable to Weng Fine Art AG via parties including Redline Capital Management, S.A., with its registered office in Luxembourg, Luxembourg, according to Section 22 (2) of the WpHG.

2. Mr. Rüdiger K. Weng, Germany, informed us that his share of the voting rights in artnet AG fell below the threshold of 10% on July 23, 2012, and on this date such amounts to 9.94% (559,531 voting rights) of the total of 5,631,067 voting rights in artnet AG.

Mr. Rüdiger K. Weng's total voting rights are allocated as follows:

0.0018%, corresponding to 100 of the total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Rüdiger K. Weng, according to Section 22 (1) Sentence 1 No. 1 of the WpHG. 3.55%, corresponding to 200,000 of the total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Rüdiger K. Weng, according to Section 22 (1) Sentence 1 No. 1 of the WpHG and Section 22 (2) of the WpHG via Weng Fine Art AG. 6.38%, or 359,431 of the total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Rüdiger K. Weng via Redline Capital Management, S.A. with its registered office in Luxembourg, Luxembourg, according to Section 22 (2) of the WpHG.

August 20, 2012

1. Weng Fine Art AG, with its registered office in Krefeld, Germany, informed us that its share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on August 15, 2012, and on this date such amounts to 2.20% (124,000 voting rights) of the total of 5,631,067 voting rights in artnet AG.

2. Mr. Rüdiger K. Weng, Germany, informed us that his share of the voting rights in artnet AG fell below the thresholds of 5% and 3% on August 15, 2012, and on this date such amounts to 2.20% (124,100 voting rights) of the total of 5,631,067 voting rights in artnet AG.

All of the voting rights are allocated to Mr. Rüdiger K. Weng according to Section 22 (1) Sentence 1, No. 1 of the WpHG. Of these voting rights, 2.20% (124,000 voting rights) of a total of 5,631,067 voting rights in artnet AG, are allocated to Mr. Rüdiger K. Weng via Weng Fine Art AG.

August 22, 2012

1. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Redline Capital Management S.A., Country: Luxembourg, Registered office: Luxembourg

3. Threshold affected: Exceeded

4. Reporting threshold affected: 5%

5. Date threshold affected: May 21, 2012

6. Voting rights held by reporting party: 9.07% (corresponds to: 510,783 voting rights)

7. Details to voting rights: Voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 8.88% (corresponds to: 500,000 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 0.19% (corresponds to: 10,783 voting rights)

8. Details of (financial/other) instruments according to Section 25 of the WpHG:

Expiry: May 21, 2012

2. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Instacom International S.A. SPF, Country: Luxembourg, Registered office: Luxembourg

3. Threshold affected: Exceeded

4. Reporting threshold affected: 5%

5. Date threshold affected: May 21, 2012

6. Voting rights held by reporting party: 9.07% (corresponds to: 510,783 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 8.88% (corresponds to: 500,000 voting rights) thereof held indirectly: 8.88% (corresponds to: 500,000 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 0.19% (corresponds to: 10,783 voting rights)

8. Details of (financial/other) instruments according to Section 25 of the WpHG: Chain of controlled companies: Redline Capital Management S. A.

Expiry: May 21, 2012

3. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Vladimir Evtushenkov, Country: Russia

3. Threshold affected: Exceeded

4. Reporting threshold affected: 5%

5. Date threshold affected: May 21, 2012

6. Voting rights held by reporting party: 9.07% (corresponds to: 510,783 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 8.88% (corresponds to: 500,000 voting rights) thereof held indirectly: 8.88% (corresponds to: 500,000 voting rights) Share of voting rights according to Sections

21, 22 of the WpHG: 0.19% (corresponds to: 10,783 voting rights)

7. Details of (financial/other) instruments according to Section 25 of the WpHG: Chain of controlled companies: Redline Capital Management S. A., Instacom International S.A. SPF

Expiry: May 21, 2012

August 22, 2012

1. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Redline Capital Management S.A., Country: Luxembourg, Registered office: Luxembourg

3. Threshold affected: Fallen below

4. Reporting threshold affected: 5%

5. Date threshold affected: May 29, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 0.19% (corresponds to: 10,783 voting rights) notice of voting rights within the meaning of Section 25 (1) of the WpHG

2. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Instacom, International S.A. SPF, Country: Luxembourg, Registered office: Luxembourg

3. Threshold affected: Fallen below

4. Reporting threshold affected: 5%

5. Date threshold affected: May 29, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 0.19% (corresponds to: 10,783 voting rights) notice of voting rights within the meaning of Section 25 (1) of the WpHG

3. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Vladimir Evtushenkov, Country: Russia

3. Threshold affected: Fallen below

4. Reporting threshold affected: 5%

5. Date threshold affected: May 29, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 0.19% (corresponds to: 10,783 voting rights)

August 29, 2012

1. We received the following notice within the meaning of Section 25 (1) WpHG on August 28, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Redline Capital Management S.A., Country: Luxembourg, Registered office: Luxembourg

3. Threshold affected: Fallen below

4. Reporting threshold affected: 5%

5. Date threshold affected: May 29, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of

the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 9.07% (corresponds to: 510,783 voting rights) notice of voting rights within the meaning of Section 25 (1) of the WpHG

2. We received the following notice within the meaning of Section 25 (1) WpHG on August 28, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Instacom International S.A. SPF, Country: Luxembourg, Registered office: Luxembourg

3. Threshold affected: Fallen below

4. Reporting threshold affected: 5%

5. Date threshold affected: May 29, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 9.07% (corresponds to: 510,783 voting rights) notice of voting rights within the meaning of Section 25 (1) of the WpHG

3. We received the following notice within the meaning of Section 25 (1) WpHG on August 17, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10969 Berlin, Germany

2. Reporting party: Vladimir Evtushenkov, Country: Russia

3. Threshold affected: Fallen below

4. Reporting threshold affected: 5%

5. Date threshold affected: May 29, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG: 9.07% (corresponds to: 510,783 voting rights)

October 8, 2012

1. We received the following notice within the meaning of Section 25 (1) WpHG on October 2, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10696 Berlin, Germany

2. Reporting party: Skate's LLC, Country: USA, Registered office: New York, Country: USA

3. Threshold affected: Threshold exceeded due to acquisition/sale

4. Reporting threshold affected: 5%

5. Date threshold affected: April 19, 2012

6. Voting rights held by reporting party: 8.88% (corresponds to: 500,000 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 8.88% (corresponds to: 500,000 voting rights) thereof held indirectly: 0.00% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG 0.00% (corresponds to: 0 voting rights)

8. Details of (financial/other) instruments according to Section 25 of the WpHG.

Expiry: May 21, 2012

2. We received the following correction of the notice within the meaning of Section 25 (1) WpHG of September 18, 2012 on October 2, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10696 Berlin, Germany

2. Reporting party: Skate's LLC, Country: USA, Registered office: New York, Country: USA

3. Threshold affected: Threshold fell due to acquisition/sale

4. Reporting threshold affected: 5%

5. Date threshold affected: May 21, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly:

0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG 0% (corresponds to: 0 voting rights)

October 10, 2012

We received the following notice within the meaning of Section 25 (1) WpHG on October 2, 2012:

1. Issuer: artnet AG, Oranienstraße 164, 10696 Berlin, Germany

2. Reporting party: Skate's LLC, Country: USA, Registered office: New York, Country: USA

3. Threshold affected: Threshold fell due to acquisition/sale

4. Reporting threshold affected: 5%

5. Date threshold affected: May 21, 2012

6. Voting rights held by reporting party: 0% (corresponds to: 0 voting rights)

7. Details to voting rights: Share of voting rights due to (financial/other) instruments according to Section 25 of the WpHG: 0% (corresponds to: 0 voting rights) thereof held indirectly: 0% (corresponds to: 0 voting rights) Share of voting rights according to Sections 21, 22 of the WpHG 0% (corresponds to: 0 voting rights)

31 Key Events after the Balance Sheet Date

For information regarding reporting events of significant importance after the balance sheet date, please refer to Section 9 of the consolidated management report.

32 Declaration on the German Corporate Governance Code According to Section 161 of the Aktiengesetz (AktG - German Public Limited Companies Act)

On December 31, 2012, the Management and Supervisory Boards of artnet AG issued the declaration of conformity within the meaning of Section 161 of the AktG on the German Corporate Governance Code in its current version dated May 15, 2012, and made this available to shareholders on the Company's website.

Berlin, April 2, 2013

Jacob Pabst

Chairman and 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, 2012. 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). These 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 the 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 IFRSs 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.

Hamburg, April 2, 2013

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Thomas Götze	Dirk Schützenmeister
Wirtschaftsprüfer	Wirtschaftsprüfer

Jacob Pabst

Chief Executive Officer, artnet AG, 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* and *artnet Analytics*.

Robin Roche

Vice President of Auctions, Artnet Worldwide Corporation

Vice president of auctions Robin Roche has 17 years of experience in the art world in specialties ranging from Rare Books to Antiquities, Paintings, and Sculpture. She worked for nearly a decade at Christie's, where she managed the budgetary, administrative, marketing, and operational aspects of multiple auction departments. Prior to coming to artnet, Robin spent five years selling blue chip artworks and overseeing a senior sales team at the Gerald Peters Gallery, where she managed a commercial and private collection of nearly 10,000 artworks. She currently leads the strategy, development, and management of *artnet Auctions*.

Saumin Patel

Vice President of Technology, Artnet Worldwide Corporation

Vice president of technology Saumin Patel has 15 years of experience in various technologies and industries, including entertainment and healthcare. He has been with artnet for five years, and before coming to artnet, he 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 and an IT operations team. He leads the development, execution, and delivery of technology strategy.

Lindsay Moroney

Vice President of Operations, Artnet Worldwide Corporation

Vice president of operations Lindsay Moroney came to artnet with an Art History degree and experience working at a Contemporary Art gallery in New York. She has worked in various departments across artnet during her eight years at the company. Lindsay launched and managed artnet's technology operations department, content and SEO department, and business intelligence team. In 2012, she led the operational restructuring for improved efficiency and streamlined business operations. She currently oversees operations globally and works to increase profitability across all products.

Wes Pomeroy

Vice President of Product Development, Artnet Worldwide Corporation

Vice president of product development Wes Pomeroy's career spans 16 years and encompasses technology, project management, and business roles. He has strong expertise in UI/UX, E-Commerce, and product management. He has worked at companies such as Yahoo! and WebMD, and at artnet, he manages product management, project management, and quality assurance.

Pandora Mather-Lees

Vice President of Sales, Artnet Worldwide Corporation

Pandora Mather-Lees, vice president of sales, was previously the managing director at The Bridgeman Art Library, a licensing organization. She has an academic and commercial background from her career in the creative industries of advertising, PR, and marketing with Publicis and Brunnings Advertising and the PR firm Biss Lancaster. She leads the expansion of our global sales force, developing processes and tools to maximize profitable revenue generation.

Michael Probst

Vice President of Finance, Artnet Worldwide Corporation

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. His remit is to enhance the company's profitability through more insightful and rigorous financial processes, such as optimized treasury management.

Thierry Dumoulin

Vice President of Marketing, Artnet Worldwide Corporation

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.

artnet AG
Supervisory Board
John Hushon, *Chairman*
Prof. Dr. Walter Rust, *Deputy Chairman*
Dr. Jochen Gutbrod
Management Board
Jacob Pabst, *Chairman and CEO*

Artnet Worldwide Corporation
Jacob Pabst, *CEO*

artnet France sarl
Jacob Pabst, *CEO*

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Jacob Pabst, *CEO*

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Investor Relations

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

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