

artnet AG

Three-Month Report 2015

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artnet AG Interim Group Management Report First Quarter 2015

Macroeconomic and Industry Conditions

Global production is expected to continue to expand slightly in the spring of 2015. The economic upswing in the United States and the United Kingdom continues, but the economic situation in emerging countries is weaker. Driven by the decrease in oil prices and the strong devaluation of the euro, the German economy is booming. The growing consumerism of private households and the upturn of foreign trade are important factors, for Germany in particular, but also for the entire eurozone. During the year, further global economic growth is expected, but the positive effect of low oil prices will lessen. Later in the year, dampening effects will impact the economy. A less expansive monetary policy of industrial nations, and falling demand from China, could have a negative effect on global economic development.

In the first quarter of 2015, the global Fine Art auction market decreased nearly 10% in value sold, falling from 2.0 billion USD in Q1 2014 to 1.8 billion USD. This overall decline reflects weaker auction performances in the UK, China, and France compared to the same period last year. Conversely, the US witnessed an upswing in sales—up over 4%.

Although the market in the UK fell 8% by value, it still remained the largest auction market of Q1, with over 1.1 billion USD in sales. Bolstering these numbers were Sotheby's London and Christie's London, which brought in over 600 million USD and 460 million USD, respectively. The US came in second during Q1, with 321 million USD in sales.

Result of Operations, Financial Status, and Net Assets

Result of Operations

In the first three months of the fiscal year, the Group's revenue was 4,041,000 EUR (4,555,000 USD). The revenue of the Company (in US dollars) was constant, with a slight decrease of less than 1% compared to last year. In the reporting currency—euros—revenue increased by 21%, or 690,000 EUR, due to exchange rate effects. While artnet benefited from the strong increase in advertising revenue,

revenue from the Price Database (in US dollars) remained constant. Revenue from the Gallery Network (in US dollars) decreased significantly compared to the last year due to a lower number of memberships. artnet Auctions revenue also decreased compared to the same quarter in the previous year, which was the strongest quarter in the Company's history.

Revenue for artnet Auctions (689,000 EUR/777,000 USD) fell below that of the same quarter in the previous year by 21%, or 208,000 USD; in euros, revenue decreased by only 4%, or 30,000 EUR. In the online auctions business, there are no seasonal cycles as there are for traditional auction houses. A direct comparison to the same quarter of last year provides only limited information about the development of the auctions business. The average revenue per month in the first quarter was 259,000 USD, which is only slightly below the monthly average of the 2014 fiscal year (263,000 USD). Buyer's and seller's premiums decreased slightly compared to the same period in the previous year, from 23% to 22% on average. Average prices of sold lots in the first quarter of 2015 remained constant, with a slight decrease of 350 USD.

In the first quarter of 2015, revenue for the artnet Price Database in the amount of 1,585,000 EUR, or 1,786,000 USD, corresponds approximately to the revenue realized in the first quarter of 2014. In euros, the reporting currency, the revenue increased by 24%, or 304,000 EUR, due to exchange rates.

After three months, the artnet Gallery Network has generated revenue in the amount of 1,172,000 EUR (1,321,000 USD). Due to declining gallery memberships, revenue in US dollars decreased by 185,000 USD, or 12%, compared to the same period last year, while in euros, revenue increased by 73,000 EUR, or 7%, due to the exchange rate. A decline in cancellations reflects the satisfaction of artnet's existing customers with innovations made to the website, as well as with the improvements made to customer service. The number of new contracts fell short of expectations in the competitive market.

Compared to the first quarter of 2014, advertising revenue almost doubled in the first quarter of 2015, increasing from 324,000 USD to 671,000 USD. In euros, the revenue increased by 135%, or 595,000 EUR, due to the exchange rate effects. As a result of

the successful launch of the news platform, artnet News, and an increase in the number of pageviews, the site has experienced greater attention from potential advertisers, mainly in the luxury segment. Overall, advertising revenue has benefitted from the redesign of the website, which created more attractive advertising placements, for example, on artist pages. New banners on artist pages are purchased by members and non-members of the Gallery Network and generate additional revenue for the artnet Gallery Network segment, due to the new segment levels.

Changes in Costs and Results

Gross profit from sales increased by 5.7% in US dollars, or 159,000 USD, in the first quarter of the 2015 fiscal year. Considering the effect of exchange rate differences, the gross profit in euros increased by 29%, or 575,000 EUR, to 2,591,000 EUR. Almost constant revenues and lower personnel costs for artnet Auctions, the Content Department, and the Price Database and Gallery Network teams resulted in a higher gross profit. In these departments, downsized staff and vacancies resulted in cost savings during the last 12 months.

In the reporting period, sales and marketing expenses increased by 36.4% in US dollars compared to the previous year, to 1,196,000 USD; in euros, the increase was even stronger, due to exchange rates, at 65.9%, to 1,061,000 EUR. The news platform, artnet News, was still in development during the same quarter in the previous year. In the first quarter of 2015, costs were incurred for the whole team. Marketing expenses were at the same level as they were last year. Sales expenses increased about 40% compared to the same period last year due to new hires.

General and administrative expenses in the first quarter of 2015 were 952,000 USD, on about the same level as they were in the previous year (932,000 USD). In euros, the reporting currency of the Group, general and administrative expenses increased by 24.2%, or 164,000 EUR, from 680,000 EUR to 845,000 EUR.

Expenses for product development in the first quarter of 2015 increased by 26.9% in US dollars, as compared to the previous year's level, to 911,000 USD. Due to the development of the exchange rate for the euro and US dollar, the increase in euros

was significantly higher, by 54.3%, to 808,000 EUR. In the first quarter of 2014, external development costs for the redesign were capitalized. In the first quarter of 2015, higher development costs were incurred for the artnet Auctions platform and the expansion of the redesign to additional product pages.

Other expenses include a foreign exchange loss from the valuation of intercompany receivables in the amount of 59,000 EUR (66,000 USD), which negatively affected the quarterly result as well.

Consolidated earnings in the first quarter of the 2015 fiscal year were -183,000 EUR (-206,000 USD), significantly below the same period last year (173,000 EUR/237,000 USD).

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 March 31, 2015 and 2014. For the period until March 31, 2015, the average exchange rate was 0.887 USD/EUR, compared to 0.730 USD/EUR in the same period in 2014.

Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of March 31, 2015, the rate was 0.922 USD/EUR, compared to 0.823 USD/EUR on December 31, 2014.

artnet is subject to exchange rate fluctuations because it invoices in euros, US dollars, and British pounds, but conducts most of its business in the United States. The Group works to reduce its exposure to differences in the exchange rates by billing European customers in euros and British customers in British pounds, and by paying vendors in the same currency with these cash funds. Currency translation adjustments arising from the valuation of intra-company loan receivables, which qualify as part of a net investment, are not reflected in the profit or loss of the group, but are recognized in the foreign currency adjustment item. The currency translation adjustment will be reclassified from equity to profit or loss when the net investment is returned in full or in part.

Financial Position

The Group's cash flow from operating activities in the first quarter of 2015 was negative, at -313,000 EUR (-352,000 USD) (previous

year: -169,000 EUR/-232,000 USD). The main reason for this negative cash flow was the drop in earnings.

At 5,000 EUR (5,000 USD), the cash outflow from investing activities was significantly below the previous year (previous year: 66,000 EUR/91,000 USD), and was due to an investment in hardware and office equipment.

The cash flow for financing activities amounted to -74,000 EUR (-83,000 USD) in the first quarter of 2015, and was, as in the previous year, due to repayments of liabilities for finance leases.

Cash and cash equivalents amounted to 891,000 EUR (967,000 USD) as of March 31, 2015, compared to 1,181,000 EUR (1,436,000 USD) as of December 31, 2014.

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 March 31, 2015, the liquidity per share totaled 0.16 EUR (0.17 USD) based on an average of 5,552,986 shares in circulation, compared to 0.22 EUR (0.31 USD) as of March 31, 2014.

Financial Status

Consolidated total assets amounted to 5,085,000 EUR (5,518,000 USD) on March 31, 2015, which was slightly below the level of the last balance sheet date on December 31, 2014, representing an increase of 10% in euros due to exchange rate effects (previous year: 4,627,000 EUR/5,625,000 USD).

Compared to December 31, 2014, trade accounts receivable increased by 287,000 EUR (204,000 USD), to 1,109,000 EUR (1,204,000 USD), due to higher advertising revenue and an increase in credit card receivables, while the overall maturity structure of receivables has improved due to better receivables management.

Fixed assets increased by 170,000 EUR (16,000 USD), to 1,455,000 EUR (1,579,000 USD). The current depreciation is offset by costs for computer equipment and software in the amount of 145,000 EUR (163,000 USD).

Current liabilities in euros increased by 8.8% due to exchange rates, to 4,671,000 EUR. In US dollars, they slightly decreased by 152,000 USD, or 2.9%. While the trade accounts payable and other

short-term liabilities decreased in US dollars, the deferred revenue increased due to seasonal effects.

Compared to December 31, 2014, the total non-current liabilities increased by 15.7% in euros, to 643,000 EUR. In US dollars, the total non-current liabilities increased by only 3.3%, to 697,000 USD. This increase was mainly due to a new lease agreement for computer equipment and software, and was offset by the scheduled repayment of current lease agreements.

The Group's consolidated equity on March 31, 2015 remained at -229,000 EUR (-248,000 USD), which is stable compared to December 31, 2014 (-223,000 EUR/-272,000 USD). Effects of the negative group earnings were offset by exchange rate effects.

At the beginning of the first quarter of 2015, the currency translation adjustments in the Group's equity contain the effects of exchange rate changes on the intracompany loan receivables of Artnet Worldwide Corporation to artnet AG.

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

General Information and Business Activities

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

Artnet Worldwide Corporation has two wholly owned subsidiaries: artnet UK Ltd. and artnet France sarl. artnet UK Ltd. provides sales and client support in the United Kingdom. The Paris office was closed in June 2012.

With a 2015 monthly average of 2.2 million visitors to its domains—artnet.com, artnet.de, artnet.fr, artnet.com/auctions, and news.artnet.com—artnet offers the world's most comprehensive art market overview. The provision of timely information about artwork values, artists, galleries, price developments, exhibitions, news, and reviews enables collectors and art professionals to better navigate the art market.

As of March 31, 2015, the artnet Gallery Network represented approximately 1,400 of the world's most prestigious art galleries from 60 countries. Members of the Gallery Network are indexed by specialty and location, with 170,000 artworks by 35,000 artists featured on the platform. In addition to all forms of Contemporary, Modern, and Fine Art, the Gallery Network also offers Decorative Art and Design objects from the 1st century BC to the present.

artnet Auction House Partnerships are the ideal way for an auction house to gain more international exposure for their auctions and drive a high volume of potential buyers directly to their own sites. With Auction House Partnerships, auction houses have the flexibility to post complete or partial sales on artnet, with the option of linking every lot on artnet back to the same lot in their own online catalogue. All upcoming sales are listed on the Events page, and rank high on artnet and in Google search results. Auction House Partnerships provide reporting and direct traffic from artnet to the auction house site.

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

sales from the Price Database to support the valuation and sale of important works of art.

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

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

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

artnet Monographs is an online art library developed in close collaboration with artists, estates, foundations, and art galleries. This growing resource of Modern and Contemporary artist monographs features comprehensive artwork selections and 152 biographies. artnet Monographs can be viewed free of charge on the artnet website.

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

Risks and Opportunities

The risk situation as of the date of the consolidated financial statements, December 31, 2014 (April 22, 2015), has not changed materially compared to the 2014 reporting year. A detailed overview of risks and opportunities can be found in the 2014 annual report.

As described in the 2014 annual report, in March 2015, the unexpected order by the Paris Court of Appeal to make high indemnity payments in the amount of 0.8 million EUR in connection to a possible copyright infringement of a French photographer, may lead to possible liquidity risks to the Company if the amount has to be paid on short notice. artnet intends to take legal action against this judgment. It is therefore uncertain whether this amount will have to be paid at all, and, if a payment has to be made, in what amount and when.

Supplementary Report and Outlook

Supplementary Report

Between the end of the first quarter of 2015 and the date of this report, no significant events occurred that may affect the financial performance and fiscal situation of the Company, according to Management's expectations.

Outlook

Note: The revenue prognosis given for the Advertising segment in the 2014 annual report will not be continued for the 2015 fiscal year, as the segment reporting has changed. For the Advertising segment, a strong revenue growth was anticipated. Moving forward, revenue generated through advertising will be allocated to the Gallery Network, artnet Auctions, the Price Database, or the newly created segment artnet News, depending on where the revenue was generated. The new allocation method is intended to increase revenue and cost transparency per segment, and to improve corporate management.

In the first quarter of the 2015 fiscal year, revenue for the artnet Auctions and Gallery Network segments lagged behind our expectations, as well as behind the same period last year, while revenue from advertising sales almost doubled in comparison. In the first quarter of the 2014 fiscal year, the artnet Auctions segment achieved the highest revenue since its launch. It is important to consider that such positive developments cannot always be repeated from one quarter to the other. However, the average revenue per month in the first quarter was 259,000 USD, just shy of the monthly average in the 2014 fiscal year (263,000 USD), which makes us optimistic for the 2015 fiscal year. Decreasing

membership numbers led to lower revenue for the Gallery Network segment. It has to be noted that a close relationship and cooperation with our existing clients, for example, in finding ideal advertising placements on artist pages and in newsletters, is given priority over the acquisition of new members. In the first quarter of the 2015 fiscal year, this approach has led to an increase in advertising revenue, and realigned the Gallery Network segment as a whole.

The news platform, artnet News, is particularly important for marketing the brand and for increasing the number of visitors to our site. As a result of the news platform, artnet's site visits doubled compared to the first quarter of 2014, when artnet News was launched. Because of the increase in visits, more advertising campaigns by luxury brands will be placed on artnet News and other sections of the artnet site in 2015, compared to last year. artnet News' daily newsletters direct subscribers to the artnet site, but also contain popular advertising space bought by luxury brands, galleries, and auction houses alike. In the first quarter of 2015, a beta version of artnet News China was launched, which publishes articles in Chinese. The site will increase brand recognition for artnet in the world's second-largest art market, and will allow us to feature advertising campaigns for Chinese clients and for the Chinese market. This advertising space is attractive to luxury brands in particular. Our intention is for the newly created artnet News segment to be financially self-sustaining by the end of the 2015 fiscal year.

To further decrease the already low cancellation rate, customer satisfaction for members of the Gallery Network is an absolute priority. Therefore, at the beginning of May 2015, expanded benefits for all membership packages were implemented. At the same time, new incentives can be set for the acquisition of members. Additionally, members have more options to promote their gallery on the artnet site and in artnet newsletters. It is anticipated that revenue generated from advertising sales within the Gallery Network will be increased further, and will create a constant source of revenue along with monthly membership fees. In the second quarter of 2015, gallery membersites and the directory page will be overhauled in line with the layout of the redesigned artnet site, where the new presentation of artworks has proven popular.

Following a successful partnership with the TEFAF Maastricht art fair in March 2015, a partnership was established with Frieze New York, taking place in May 2015. More partnerships of this kind are planned for the current fiscal year, and in the future. For each partnership, a site is created within the Gallery Network, which gives visitors an overview of the galleries participating, as well as the inventory they are presenting at the fair. Additionally, users can make direct inquiries to the galleries prior to the start of the fair by clicking on the artworks. Such partnerships mark an important development in the Gallery Network segment in line with our member's needs, and also serve as a valuable tool in the acquisition of new clients.

The Auction House Partnerships product, which is part of the Gallery Network segment, is becoming increasingly popular among auction houses. Compared to the first quarter of 2014, membership numbers have increased by 30%. It should be noted that unlike gallery memberships, the number of auction house partners is more volatile, fluctuating seasonally. In the spring of 2015, the Auction House Discovery page was created, making it easier for our users to find information on upcoming auctions worldwide. In everyday communication with auction houses, the product is promoted continuously in order to increase the number of partnerships.

Overall, we are sticking to the forecast of consistent revenue from membership fees for the Gallery Network and Auction House Partnerships, prioritizing customer support and close customer ties over the acquisition of new members. The increased sale of advertising space to galleries, which already had a successful start in the first quarter, will continue. We anticipate a growth in revenue for the Gallery Network segment in 2015 compared to the previous year, following the new allocation of advertising revenue.

In the second quarter of 2015, a new feature was added to the Price Database, allowing subscribers to save search results in different lists, which can be named individually. This enables art dealers, appraisers, and collectors to create portfolios grouped by category or artist. The new feature is intended to increase the usage of the Price Database. For the recently added feature on artist pages, where only some details of auction results are shown, a quick checkout was added to allow visitors to buy a subscription and look up full auction results. This addition is aimed at increasing the number

of subscribers, as well as the number of searches. Throughout the year, the process for adding lots to the Price Database will be optimized, freeing resources to market the product, its derivatives, and advertising space. An increase in revenue is anticipated for the Price Database segment compared to the previous year, following the new allocation of advertising revenue.

In the second quarter of 2015, a redesign of the artnet Auctions site is planned, which will simplify the search for artworks within various categories. In addition, the presentation of each lot will be improved. In order to offer a greater number of artworks, as well as higher value lots, an increase in buyer and seller registration is essential. Following a change in the registration procedure, the number of registrations has already increased drastically at the beginning of the second quarter of 2015, which is intended to increase the number of lots offered and bids placed throughout the year. Along with artnet News, artnet Auctions is the second segment that artnet has financed from its own resources, and that has led to a diversification of revenue streams for the Company. For the 2015 fiscal year, a growth of approximately 10% is anticipated for artnet Auctions.

Due to the planned appeal, artnet anticipates that no liquidity outflow will occur following lawsuits concerning the copyright violation of a photographer in France and Germany in 2015.

The new segmentation, which results in the termination of the Advertising segment and the creation of the artnet News segment, results in an adjustment of the forecasts for the individual segments. The prognosis for the total revenue in 2015 does not change, however, as only the allocation of revenue has been adjusted. The prognosis of a growth in revenue, to 15.5 to 16.3 million EUR (19.0 to 20.0 million USD), and earnings after taxes of 0.1 to 0.4 million EUR (0.1 to 0.5 million USD) for 2015, has not changed following the first quarter.

Berlin, May 13, 2015



Jacob Pabst
CEO, artnet AG

artnet AG Consolidated Balance Sheet

As of March 31, 2015

	3/31/2015 USD	12/31/2014 USD	3/31/2015 EUR	12/31/2014 EUR
Assets				
Current Assets				
Cash and Cash Equivalents	967,215	1,435,839	891,289	1,181,121
Trade Receivables	1,203,609	999,922	1,109,126	822,536
Other Current Assets	493,915	353,743	455,143	290,989
Total Current Assets	2,664,739	2,789,504	2,455,558	2,294,646
Non-Current Assets				
Property, Plant, and Equipment	844,452	773,136	778,163	635,982
Intangible Assets	734,236	788,968	676,598	649,005
Security Deposits	390,553	388,845	359,895	319,864
Deferred Tax Assets	884,432	884,432	815,004	727,534
Total Non-Current Assets	2,853,673	2,835,381	2,629,660	2,332,385
Total Assets	5,518,412	5,624,885	5,085,218	4,627,031
Equity and Liabilities				
Current Liabilities				
Accounts Payable	698,611	720,760	643,770	592,897
Accrued Expenses and Other Liabilities	602,748	705,878	555,432	580,655
Provisions	1,195,698	1,319,644	1,101,836	1,085,540
Short-Term Liabilities from Finance Leases	240,198	225,401	221,342	185,415
Deferred Revenue	1,997,588	1,880,882	1,840,777	1,547,214
Loans	334,601	368,750	308,335	303,334
Total Current Liabilities	5,069,444	5,221,315	4,671,492	4,295,055
Long-Term Liabilities				
Office Rent Amortization	364,483	375,930	335,871	309,240
Long-Term Liabilities from Finance Leases	115,893	56,014	106,795	46,077
Loans	217,038	243,132	200,000	200,000
Total Long-Term Liabilities	697,414	675,076	642,666	555,317
Total Liabilities	5,766,858	5,896,391	5,314,158	4,850,372
Shareholders' Equity				
Common Stock	5,941,512	5,941,512	5,631,067	5,631,067
Treasury Stock	(269,241)	(269,241)	(264,425)	(264,425)
Additional Paid-In Capital	52,345,076	52,325,939	50,944,255	50,927,279
Accumulated Deficit	(58,762,833)	(54,872,246)	(56,916,361)	(53,868,969)
Current Net Profit	(206,173)	(3,890,587)	(182,895)	(3,047,392)
Foreign Currency Translation	703,213	493,117	559,419	399,099
Total Shareholders' Equity	(248,446)	(271,506)	(228,940)	(223,341)
Total Liabilities and Shareholders' Equity	5,518,412	5,624,885	5,085,218	4,627,031

artnet AG Consolidated Income Statement

For the Three Months Ended in March 31, 2015

	1/1-3/31/2015 USD	1/1-3/31/2014 USD	1/1-3/31/2015 EUR	1/1-3/31/2014 EUR
Revenue				
artnet Gallery Network	1,320,940	1,506,036	1,171,806	1,098,954
artnet Price Database	1,786,234	1,754,298	1,584,568	1,280,111
artnet Advertising	671,207	347,255	595,428	253,392
artnet Auctions	776,688	984,818	689,000	718,622
Total Revenue	4,555,069	4,592,407	4,040,802	3,351,079
Cost of Sales	1,634,646	1,830,581	1,450,094	1,335,775
Gross Profit	2,920,423	2,761,826	2,590,708	2,015,304
Operating Expenses				
Selling and Marketing	1,195,729	876,414	1,060,731	639,519
General Administrative	952,288	932,440	844,775	680,401
Product Development	911,390	718,299	808,494	524,143
Non-Cash Compensation	19,137	1,988	16,976	1,451
Total Operating Expenses	3,078,544	2,529,140	2,730,976	1,845,514
Operating Income	(158,121)	232,686	(140,268)	169,790
Interest Expenses	15,191	17,720	13,476	12,930
Interest Income	288	39	255	28
Other Income/(Expenses)	(33,149)	26,575	(29,406)	19,392
Earnings Before Taxes	(206,173)	241,580	(182,895)	176,280
Income Taxes	-	(4,128)	-	(3,012)
Net Profit/(Loss)	(206,173)	237,452	(182,895)	173,268
Other Comprehensive Income				
OCI Recycled: Differences from Foreign Currency Translation	210,096	2,409	160,320	3,477
Total Comprehensive Income	3,923	239,861	(22,575)	176,745
Result per Share				
Basic and Diluted	(0.04)	0.04	(0.03)	0.03

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

For the Three Months Ended in March 31, 2015

Common Stock							
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance as of 12/31/2013	5,631,067	5,941,512	(269,241)	52,252,827	(54,872,246)	(4,660)	3,048,192
Net Income/(Loss)	-	-	-	-	237,452	2,409	239,861
Remuneration from Stock Options	-	-	-	1,988	-	-	1,988
Balance as of 3/31/2014	5,631,067	5,941,512	(269,241)	52,254,815	(54,634,795)	(2,252)	3,290,040
Balance as of 12/31/2014	5,631,067	5,941,512	(269,241)	52,325,939	(58,762,833)	493,117	(271,506)
Net Income/(Loss)	-	-	-	-	(206,173)	210,096	3,923
Remuneration from Stock Options	-	-	-	19,137	-	-	19,137
Balance as of 3/31/2015	5,631,067	5,941,512	(269,241)	52,345,076	(58,969,006)	703,213	(248,446)

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

For the Three Months Ended in March 31, 2015

Common Stock							
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance as of 12/31/2013	5,631,067	5,631,067	(264,425)	50,872,189	(53,868,969)	(155,868)	2,213,994
Net Income/(Loss)	-	-	-	-	173,268	3,477	176,745
Remuneration from Stock Options	-	-	-	1,451	-	-	1,451
Balance as of 3/31/2014	5,631,067	5,631,067	(264,425)	50,873,639	(53,695,701)	(152,391)	2,392,189
Balance as of 12/31/2014	5,631,067	5,631,067	(264,425)	50,927,279	(56,916,361)	399,099	(223,341)
Net Income/(Loss)	-	-	-	-	(182,895)	160,320	(22,575)
Remuneration from Stock Options	-	-	-	16,976	-	-	16,976
Balance as of 3/31/2015	5,631,067	5,631,067	(264,425)	50,944,255	(57,099,256)	559,419	(228,940)

artnet AG Consolidated Statement of Cash Flows

For the Three Months Ended in March 31, 2015

	1/1–3/31/2015 USD	1/1–3/31/2014 USD	1/1–3/31/2015 EUR	1/1–3/31/2014 EUR
Cash Flow from Operating Activities				
Net Profit/Loss	(206,173)	237,452	(182,895)	173,268
Adjustments to Reconcile Net Profit to Net Cash Provided by/(used in) Operating Activities				
Depreciation and Amortization	142,009	126,297	125,976	92,159
Impairments/Write-Offs for Receivables	(92,509)	75,005	(82,065)	54,731
Non-Cash Compensation from Stock Options	19,137	1,988	16,976	1,451
Other Non-Cash Transactions	182,267	4,931	161,689	3,598
Changes in Operating Assets and Liabilities				
Trade Receivables	(111,178)	(476,483)	(98,626)	(347,689)
Other Current Assets	(140,172)	(6,290)	(124,347)	(4,590)
Security Deposits	(1,708)	(5,721)	(1,515)	(4,175)
Accounts Payable	(22,149)	(352,526)	(19,648)	(257,238)
Provisions	(123,946)	–	(109,952)	–
Accrued Expenses and Tax Liabilities	(114,577)	(63,298)	(101,641)	(46,189)
Deferred Revenue	116,706	226,542	103,530	165,308
Total Adjustments	(146,120)	(469,556)	(129,623)	(342,634)
Cash Flow Provided by/(used in) Operating Activities	(352,293)	(232,104)	(312,518)	(169,366)
Cash Flow from Investing Activities				
Purchase of Property and Equipment	(5,411)	(12,155)	(4,800)	(8,870)
Purchase and Development of Intangible Assets	–	(78,750)	–	(57,464)
Cash Flow Provided by/(used in) Investing Activities	(5,410)	(90,905)	(4,800)	(66,333)
Cash Flow from Financing Activities				
Repayment of Finance Leases	(83,254)	(75,896)	(73,855)	(55,381)
Loans Received	–	–	–	–
Cash Flow Provided by/(used in) Financing Activities	(83,254)	(75,896)	(73,855)	(55,381)
Effects of Exchange Rate Changes on Cash	(27,666)	3,605	101,340	5,279
Changes in Cash and Cash Equivalents	(468,624)	(395,300)	(289,832)	(285,801)
Cash and Cash Equivalents—Start of Period	1,435,839	2,104,778	1,181,121	1,528,763
Cash and Cash Equivalents—End of Period	967,215	1,709,478	891,289	1,242,961
Supplemental Disclosures of Cash Flow				
Income Tax Receipts/(Payments)	–	(4,128)	–	(3,001)
Interest Payments	(9,555)	(12,376)	(8,476)	(7,930)
Interest Receipts	288	39	255	28

Notes to the Consolidated Financial Statements

Corporate Information

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, 10696 Berlin, Germany.

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

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

The consolidated financial statements were authorized for issuance by the CEO on May 13, 2015.

Basis of Reporting

These unaudited interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and its interpretations adopted by the International Accounting Standards Board (IASB) for interim financial information effective within the EU. In particular, they correspond to the “Interim Financial Reporting” guidelines of IAS 34. They also comply with the German Accounting Standard (DRS) No. 16 on interim reporting, as well as with §§ 37x, 37w of the Securities Trading Act. These financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The same accounting and valuation methods have been applied to this interim report as were applied to the most recent annual financial statements. A detailed description of the accounting policies is published in the notes to the 2014 annual consolidated financial statements.

The Management of the Company is convinced that the interim consolidated financial statements include all adjustments of a

normal and recurring nature considered necessary for a fair presentation of results for the interim period. Results for the period ended March 31, 2015, are not necessarily indicative of future results.

The interim financial statements as of March 31, 2015, and the interim management report, have not been audited in accordance with § 317 of the German Commercial Code or reviewed by an auditor.

The consolidated financial statements have been prepared on a historical cost basis. The balance sheet date is March 31, 2015.

Reporting period

The consolidated financial statements were prepared for the reporting period from January 1, 2015 to March 31, 2015. The fiscal year for all Group companies coincides with the calendar year.

Foreign Currency Translations and Transactions

Amounts mentioned in the interim consolidated financial statements, and notes to the interim consolidated financial statements, are stated in euros (EUR), unless otherwise noted. The reporting currency is the euro.

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 exchange rates 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 or 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 price for the period. The accumulated gains and losses resulting from translation are recorded as a separate component of the Group equity.

In January 2015, Artnet Worldwide Corporation converted existing current intracompany receivables of artnet AG in the amount of 2.1 million EUR into an intercompany loan. The loan, including all accrued and unpaid interest, is due for repayment on December 31, 2017.

A settlement for this loan is neither planned nor likely to occur in the foreseeable future. The intracompany loan is part of net investments according to IAS 21.15. Accordingly, exchange differences on the loan amount in euros will be recognized in the foreign currency adjustment item in equity at closing dates (including interim reports). The amount, recognized in the foreign currency adjustment item, will be reclassified from equity into profit or loss upon full or partial settlements.

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			
	3/31/2015	12/31/2014	3/31/2014	3/31/2015	12/31/2014	3/31/2014
Current Rate						
Period End	0.922	0.823	0.727	0.674	0.644	0.601
Average Rate for the Period	0.887	0.754	0.730	0.660	0.607	0.604

Basis of Consolidation and Consolidated Companies

The consolidated financial statements include the legal parent company, artnet AG, its wholly owned subsidiary, Artnet Worldwide Corporation, as well as the subsidiaries of the Company. According to IFRS 10, control is achieved where a company is exposed to fluctuating yields as a result of its engagement with the entity or owns rights, and 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. in accordance with IFRS 3, B1 et seq., which was treated as a recapitalization of Artnet Corp., with Artnet Corp. as the acquirer of artnet AG. As a result, the initial consolidation was implemented in a way that artnet AG consolidated as a legal acquirer for the subsidiary company, Artnet Corp., because this was the economic acquirer.

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

The active business operation of artnet France sarl was discontinued after the closure of the office in Paris in June 2012. Since this time, the French market has been served from the main headquarters in

New York and Berlin.

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

Authorized Capital

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

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

Treasury Shares

As of March 31, 2015, artnet AG held 78,081 of its own shares, unchanged from the previous year, representing 1.4% of common stock.

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

Related-Party Transactions

As of March 31, 2015, financial liabilities of the artnet Group comprise, in addition to the accounts payable and other liabilities, a loan granted by the main shareholder (including interest) in the amount of 508,000 EUR. The loan serves as collateral to a potential temporary liquidity bottleneck, which could result from seasonal changes of cash collections.

Income Taxes

Current income tax is recognized in the interim period based on the estimate of weighted average annual income tax for the entire fiscal

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

The Group reviews the carrying amount of its deferred tax asset once per year, and will review the deferred tax asset on the balance sheet date, December 31, 2015, based on the most recent corporate planning for the fiscal years 2016 through 2018.

Segment Reporting/Changes in Segment Reporting

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

At the beginning of the 2015 fiscal year, the Group adjusted its segment reporting. Management no longer considers the previous segmentation appropriate to provide sufficient information. As part of the modification to internal reporting, the decision was made to disclose the online news platform, artnet News, as its own segment. In the previous year, the English-language art world news platform was considered a PR and marketing tool that supported business operations as a whole. The number of reportable segments has not increased. Management no longer considers appropriate the disclosure of the segment Advertising as a standalone segment. Advertising revenue will now be allocated to the segments where banners have been placed. If an advertising banner, for example, is placed on the product page of the Price Database, advertising revenues will be allocated to this segment. In addition, since the beginning of the fiscal year, the segment reporting was changed to a multilevel Contribution Margin accounting. In the first stage, the difference of the generated revenues and the direct variable costs (Contribution Margin (CM I)) for each segment is calculated. In a second step, variable indirect costs, which are not directly attributable to a segment, are subtracted from the CM I, by allocating them to the segments with an allocation key. The so-determined Contribution Margin (CM II) is the amount available by segment to cover the fixed costs. Management expects a better picture of the profitability of each segment due to this change.

Following the requirements of IFRS 8 “Operating Segments” (Management Approach), this realignment has retroactively led to a change in the segment report in 2014.

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

- The artnet Gallery Network segment presents artwork from member galleries online
- The artnet Price Database segment comprises all database-related products, including the artnet Price Database Fine Art and Design and the artnet Price Database Decorative Art, as well as the products based thereupon, including artnet Market Alerts and artnet Analytics
- The artnet Auctions segment provides a platform to buy and sell artworks online
- The artnet News segment is a 24/7 news service for the art market; the online platform, news.artnet.com, provides information about the events, trends, developments, and people shaping the art market and global art industry

The control of the segment performance is evaluated based on the Contribution Margin II (revenue minus direct and indirect variable costs), which is therefore presented below as segment result. Non-directly attributable expenses are allocated to the reportable segments, based primarily on the headcount and revenue for each reportable segment. The segment reporting is presented, based on the internal communication, in USD.

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

Period January 1, 2015 to March 31, 2015	Revenue USD	Contribution Margin II USD
artnet Gallery Network	1,595,000	859,000
artnet Price Database	1,911,000	1,033,000
artnet Auctions	777,000	(122,000)
artnet News	273,000	(423,000)
Total	4,556,000	1,347,000

Period January 1, 2014 to March 31, 2014	Revenue USD	Contribution Margin II USD
artnet Gallery Network	1,625,000	869,000
artnet Price Database	1,955,000	1,148,000
artnet Auctions	985,000	178,000
artnet News	27,000	(402,000)
Total	4,592,000	1,793,000

The reconciliation of the Contribution Margin II to the operating income of the group is given in the following table:

Reconciliation of Segments Contribution Margin II to the Operating Income	3/31/2015 USD	3/31/2014 USD
Contribution Margin II	1,347,000	1,793,000
Fix Costs of Sales Expenses		
Including Depreciation -142,000 USD	536,000	537,000
Fix Costs of General and Administrative Expenses	848,000	895,000
Fix Costs of Product Development Expenses	121,000	128,000
Operating Income	(158,000)	233,000

Earnings Per Share

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

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

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

	1/1-3/31/2015 EUR	1/1-3/31/2014 EUR
Numerator (Earnings)		
Net income for the first quarter	(206,713)	173,268
Denominator (Number of Shares)		
Weighted average number of ordinary shares used to calculate basic earnings per share (issued and fully paid ordinary shares)	5,552,986	5,552,986
Effect of potential dilutive shares from stock options	-	-
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,552,986	5,552,986

The weighted average share price of stock options is higher than the weighted average exercise price in 2015. As a result, there are no diluted shares.

Employees

In the first quarter of the 2015 fiscal year, there were 120 full-time employees in the Group, versus 113 in the first quarter of 2014. Additionally, the artnet Group had two part-time employees, compared to five in the same period last year. In sales and other departments, the Group had 13 freelancers, compared to 11 in the first quarter of 2014.

Accounting Estimates and Judgments

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

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

Notification concerning transactions by persons with management duties according to § 15a WpHG

No transactions by persons with management duties according to § 15a WpHG have been reported to the Company.

Voting Rights Notifications

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

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

April 7, 2015

1. Weng Fine Art AG with its registered office in Krefeld, Germany, informed us on April 2, 2015 that its share of the voting rights in artnet AG fell below the threshold of 3% on March 27, 2015 and on this date amounts to 2.66% (150,000 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Mr. Rüdiger K. Weng, Germany, informed us on April 2, 2015 that his share of the voting rights in artnet AG fell below the threshold of 3% on March 27, 2015 and on this date amounts to 2.67%, (150,100 voting rights of the total of 5,631,067 voting rights in artnet AG). The entire voting rights are attributable to Mr. Rüdiger K. Weng pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG.

March 23, 2015

1. Weng Fine Art AG with its registered office in Krefeld, Germany, informed us on March 20, 2015 that its share of the voting rights in artnet AG fell below the threshold of 5% on March 16, 2015 and on this date amounts to 4.56% (257,000 voting rights of the total of 5,631,067 voting rights in artnet AG).

2. Mr. Rüdiger K. Weng, Germany, informed us on March 20, 2015 that his share of the voting rights in artnet AG fell below the threshold of 5% on March 16, 2015 and on this date amounts to 4.58%, (258,150 voting rights of the total of 5,631,067 voting rights in artnet AG). The entire voting rights are attributable to Mr. Rüdiger K. Weng pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG, including the voting rights of the following shareholder whose holdings of voting rights amount to 3% or more: Weng Fine Art AG.

March 12, 2015

Mr. Hans-Herbert Döbert, Germany, informed us on March 11, 2015 that his share of the voting rights in artnet AG exceeded the threshold of 3% on March 10, 2015 and on this date amounts to 3.01%, (169,700 voting rights of the total of 5,631,067 voting rights in artnet AG).

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

Berlin, May 13, 2015

A handwritten signature in black ink, appearing to read 'JP' or similar initials, with a long horizontal stroke extending to the right.

Jacob Pabst
CEO, artnet AG

artnet AG

Supervisory Board

John Hushon, Chairman
Hans Neuendorf, Deputy Chairman
Piroschka Dossi

Management Board

Jacob Pabst, CEO

Artnet Worldwide Corporation

Jacob Pabst, CEO

artnet France sarl

Jacob Pabst, CEO

artnet UK Ltd.

Jacob Pabst, CEO

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Investor Relations

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

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

German Securities Code Number

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

Wertpapier-Kenn-Nummer

[WKN]	A1K037
ISIN	DE000A1K0375

Concept and Production
Artnet Worldwide Corporation

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