

artnet AG

Six-Month Report 2016

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artnet AG Interim Group Management Report Six-Month Report 2016

General Information and Business Activities

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

Artnet Worldwide Corporation has two wholly owned subsidiaries: artnet UK Ltd. and artnet France Sarl. Artnet France Sarl has been inactive since 2012, while artnet UK Ltd. provides sales and client support in the United Kingdom.

With a 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 June 30, 2016, the Gallery Network represented approximately 1,300 of the world’s most prestigious art galleries from 60 countries. Members of the Gallery Network are indexed by specialty and location, with over 180,000 artworks by more than 29,000 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. Concurrently, Auction House Partnerships offer an ideal way for auction houses to gain international exposure for their sales and drive a high volume of potential buyers directly to their proprietary site. With a partnership, 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 our Events page,

and rank high in both artnet and external Google search results. Auction House Partnerships also provides reporting and direct traffic from artnet to the clients.

The Price Database, which is comprised of the Price Database Fine Art and Design and the Price Database Decorative Art, is an online database with over 10 million color-illustrated art auction results from more than 1,700 leading international auction houses. This product brings price transparency to an otherwise inaccessible market. Subscribers to the 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 of artworks. Subscribers 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.

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

Analytics Reports 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.

With artnet Auctions, artnet has become a leading transaction platform in the competitive online auction market. The main advantages for buyers and sellers on artnet Auctions are the attractive prices and fast turnaround, which can be finalized in just 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 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 through timely articles and insightful opinion pieces.

Macroeconomic and Industry Conditions

During the first half of 2016, the world economy remained weakened. In the United States, the GDP increased only slightly while the economic growth rate in China slowed, yet nevertheless the outlook for both countries' domestic economies is positive. The European Union's economy was stable, which especially benefited the German markets. It remains to be seen, however, what overall effect the withdrawal of the United Kingdom from the European Union will have.

With the respect to the art market, the United States, United Kingdom, and Germany all experienced a much slower first quarter compared to the same time period in 2015. The United States suffered the largest decrease in sales, coming in at 1.8 billion USD, as compared to 2015's 3.5 billion USD, representing a decrease of 47%. Unlike these three markets, China experienced an increase of 6% over the first quarter of 2015. Additionally, China had six new additions to their top 25 highest-priced works ever sold at auction. Globally, there were two new additions to the top 50 highest-priced works ever at auction: a work by Pablo Picasso sold at Sotheby's London, and a Jean-Michel Basquiat painting sold at Christie's New York.

Result of Operations, Financial Status, and Net Assets

artnet generates its revenue primarily in US dollars. The headquarters of artnet's subsidiary, Artnet Worldwide Corporation, is located in New York, the global center of the art market, and thus incurs its expenses mainly in US dollars. Results in US dollars are more reflective of recent economic developments than presenting in euros. In the following, the performance of the Group is described in US dollars, since the average exchange rate is equal to the same period in 2015. Thus, the development in the reporting currency euro is almost identical.

Result of Operations

As of June 30, 2016 and 2015, the Group's revenue was 9,519,000 USD and 9,410,000 USD, respectively, representing an increase of 1%.

As of June 30, 2016 and 2015, revenue for artnet Auctions was 1,566,000 USD and 1,546,000 USD, respectively, an increase of 1%. The revenue for artnet Auctions in the second quarter was 739,000 USD and 770,000 USD, respectively, a decrease of 4%, while Buyer's and Seller's Premiums remained stable at 22% as compared to the same period in the previous year. The average price of lots sold during the first six months of 2016 and 2015 was 3,866 USD and 4,374 USD, respectively. The number of sold lots during the first six months of 2016 and 2015 was 921 and 820, respectively.

As of June 30, 2016 and 2015, revenue for the Price Database was 3,641,000 USD and 3,537,000 USD, respectively, an increase of 3%. Revenue for the Price Database in the second quarter increased by 4% as compared to the same quarter in the previous year.

As of June 30, 2016 and 2015, revenue for the Gallery Network was 2,648,000 USD and 2,699,000 USD, respectively, a decrease of 2%. This decrease is influenced by declining gallery memberships.

As of June 30, 2016 and 2015, advertising revenue was 1,665,000 USD and 1,628,000 USD, respectively, an increase of 2%. Revenue in the second quarter decreased by 22% as compared to the same quarter in the previous year. In the first six months of 2016, advertising revenue from the artnet News segment increased by 122,000 USD, while revenue from the Price Database decreased by 89,000 USD and the Gallery Network remained stable, as compared to the same period last year.

Changes in Costs and Results

As of June 30, 2016 and 2015, gross profit from sales was 6,199,000 USD and 6,119,000 USD, respectively, an increase of 1%. This improvement is a result of slightly increased revenue and lower personnel costs for the Content and the

Price Database departments. In these departments, downsized staff and non-filling of vacancies resulted in cost savings, and these effects were further enhanced by lower depreciation and amortization. Personnel expenses for artnet Auctions increased as planned due to new hires.

As of June 30, 2016 and 2015, sales and marketing expenses were 2,206,000 USD and 2,340,000 USD, respectively, a decrease of 6%. While sales expenses increased by 17% due to new hires, marketing expenses and expenses for artnet News decreased by 20% and 21%, respectively, due to restructuring of cost savings.

As of June 30, 2016 and 2015, general and administrative expenses were 1,985,000 USD and 1,862,000 USD, respectively, an increase of 7%. This increase is mainly due to new hires and higher expenses for travel and entertainment.

Product development expenses as of June 30, 2016 and 2015, were 1,654,000 USD and 1,741,000 USD, respectively, a decrease of 5%. This decrease is due to vacant positions and a reduction of external development costs.

Consolidated earnings in the first six months of the 2016 and 2015 fiscal years were 429,000 USD and 83,000 USD, respectively. This difference is partly due to the release of a provision in the amount of 150,000 EUR reserved for the German case against artnet AG in Berlin, in regards to the photographer cited in the Risks and Opportunity report.

Currency Conversion

Currency conversion in the consolidated statement of comprehensive income is based on the average exchange rate for the period between January 1 to June 30, 2016 and 2015. For the period before June 30, 2016, the average exchange rate was 0.896 USD/EUR, unchanged as compared to 0.896 USD/EUR in the same period in 2015. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of June 30, 2016, the rate was 0.903 USD/EUR, as compared to 0.917 USD/EUR on December 31, 2015.

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 intercompany 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 six months of 2016 was positive at 525,000 USD, representing a turnaround from the first six month of 2015, when operating activities resulted in a negative cash flow of -44,000 USD. The main reason for the positive cash flow was realized net profit as well as the decrease of accounts receivables.

The Group's cash flow from investing activities in the first six month of 2016 and 2015 was negative at -37,000 USD and -17,000 USD, respectively. The main reason for a negative increase is due to the purchases of hardware and software.

The Group's cash flow from financing activities in the first six month of 2016 and 2015 was negative at -238,000 USD and -293,000 USD, respectively. The primary reason for the negative financing activities is due to repayments of liabilities for finance leases and the shareholder loan.

As of June 30, 2016, cash and cash equivalents amounted to 1,336,000 USD, as compared to the December 31, 2015 total of 1,084,000 USD.

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 June 30, 2016, the liquidity per share totaled 0.24 USD (0.22 EUR) based on an average of 5,552,986 shares in circulation, as compared to 0.18 USD (0.17 EUR) on June 30, 2015.

Financial Status

Consolidated total assets amounted to 5,303,000 USD on June 30, 2016, which was a 2% decrease from the December 31, 2015 balance sheet total of 5,436,000 USD.

As compared to December 31, 2015, trade accounts receivables decreased by 232,000 USD to 1,155,000 USD.

As compared to December 31, 2015, fixed and intangible assets decreased by 166,000 USD to 1,100,000 USD. The current depreciation and amortization is partly offset by costs for computer equipment and software purchased in the amount of 25,000 USD. These purchases are mainly financed through financial lease contracts, and did not lead to significant cash outflow in the reporting period.

Current liabilities have decreased since December 31, 2015 by 539,000 USD to 3,740,000 USD. This is mainly due to lower accrued expenses and other short-term liabilities, redemption of the shareholder loan, and the release of artnet AG's provision of 150,000 EUR for the German case against the photographer cited in the Risks and Opportunity report. The deferred revenue saw a seasonal increase.

The Group's consolidated equity on June 30, 2016 increased to 1,142,000 USD, as compared to the December 31, 2015 total of 727,000 USD, due to the positive Group result.

Since the first quarter of 2016, the currency translation adjustments in the Group's equity contain the effects of exchange rate fluctuations on the intercompany loan receivables of Artnet Worldwide Corporation to artnet AG.

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

Risks and Opportunities

The risk situation dated December 31, 2015 (April 7, 2016) for the consolidated financial statements has not changed

materially as compared to the 2015 reporting year. A detailed overview of risks and opportunities can be found in the 2015 Annual Report. As described in the 2015 Annual Report, the going concern assumption for the Group is endangered by liquidity risks. Damages could be required on short notice for the alleged copyright infringement of a photographer, as determined by the French Court of Appeal. In March 2016, the French Court of Cassation decided in a pre-trial ruling to dismiss artnet's appeal against the judgment of the Court of Appeal, in favor of the motion of the photographer, based on procedural aspects of the case. Aside from all legal remedies, artnet continues its efforts to achieve a settlement with the photographer. artnet does not believe a full payment of damages will be required in 2016.

The Berlin Court in the same matter has dismissed the case in May 2016. Since the court's decision was not appealed, the provision of 150,000 EUR for the German lawsuit was released to income in the Six-Month Financial Statement dated June 30, 2016.

Supplementary Report and Outlook

Supplementary Report

Between the end of the second quarter of 2016 and the date of this report, a significant event occurred that affects the financial performance and fiscal situation of the Company mentioned in the Risk and Opportunity report, according to Management's expectations.

Outlook

The following report describes forecasts made by the Management Board regarding the future of artnet's segments and general business. Actual business performance may vary from these forecasts due to the occurrence of risks and opportunities, as described in the Risk and Opportunity Report.

Since its launch in February 2014, artnet News has brought in a significant increase of pageviews and strongly grew the visibility of the artnet brand. In June 2016, the news site was relaunched, making articles easier to find than ever before. Going forward into the second half of 2016, editorial content

will continue to focus on trending topics in an effort to bring art affiliates to artnet News, thereby increasing traffic and bolstering the sale of advertising. A strong revenue growth for the artnet News segment is projected for the 2016 fiscal year, further supported by a traditionally busy pre-holiday season for advertising.

During the first half of 2016, a new email campaign was launched to promote the Price Database. These ongoing emails illustrate recent market trends and other findings culled from the market data, showcasing the advantages of the product to non-subscribers. In mid-July, the Price Database product page was redesigned, and, with its improved layout and interface, made the differences between each subscription level more apparent. At the same time, prices were raised for several subscriptions. In July 2016, a market analyst specializing in alternative assets, with a strong focus on the art market, joined the team. Throughout the second half of 2016, he will be revamping Analytics Reports into highly sophisticated art market reports. Management therefore expects the Price Database segment to show a slight increase in revenue for the 2016 fiscal year.

During the first six months of the past year, the number of Gallery Network member sites was slightly up as compared to December 2015, whereas during the same period in 2015 memberships had declined significantly. To keep up the positive momentum, an all-new Gallery Network member portal will be launched in the second half of 2016. Despite facing a competitive market environment, Management anticipates a further stabilization of the number of memberships for this product. For Auction House Partnerships, more sales are expected for the second and third quarter of 2016 as compared to the same period last year. Advertising revenue generated in the Galleries segment is also anticipated to be slightly higher for the remaining year, and thus Management expects a slight revenue growth for this segment overall.

artnet Auctions will be mounting several popular sales during the second half of the year, including *Contemporary Editions* and *Pop Art*. Newly themed sales will also be added to the upcoming calendar, featuring a promising new selection of

artworks. In an effort to offer higher-valued lots, artnet Auctions has adopted a new consignment strategy and will be adding more specialists to the team, anticipating a significant increase in revenue.

For 2016, Management predicts a revenue increase of 20 to 21 million USD (18 to 19 million EUR) and a profit after tax of 1 to 1.3 million USD (0.9 to 1.2 million EUR). Bearing in mind there remains the possibility of short-notice liquidity risks for the ongoing copyright infringement case in France, as described in the risk report, forecasted cash and cash equivalents are expected to show no change as compared to December 31, 2015 despite the anticipated increase in revenue.

Berlin, August 11, 2016



Jacob Pabst
CEO, artnet AG

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group. The interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, August 11, 2016

A handwritten signature in black ink, appearing to be 'JP' or 'J.P.', with a long horizontal stroke extending to the right.

Jacob Pabst
CEO, artnet AG

artnet AG Consolidated Balance Sheet

As of June 30, 2016

	6/30/2016 USD	12/31/2015 USD	6/30/2016 EUR	12/31/2015 EUR
Assets				
Current Assets				
Cash and Cash Equivalents	1,336,428	1,083,526	1,206,794	993,593
Trade Receivables	1,154,943	1,387,025	1,042,914	1,271,902
Other Current Assets	438,130	426,504	395,631	391,104
Total Current Assets	2,929,501	2,897,055	2,645,339	2,656,599
Non-Current Assets				
Property, Plant, and Equipment	641,139	712,176	578,949	653,065
Intangible Assets	459,318	553,800	414,764	507,835
Security Deposits	388,431	388,361	350,753	356,127
Deferred Tax Assets	884,432	884,432	798,642	811,024
Total Non-Current Assets	2,373,320	2,538,769	2,143,108	2,328,051
Total Assets	5,302,821	5,435,824	4,788,447	4,984,650
Equity and Liabilities				
Current Liabilities				
Accounts Payable	342,149	299,425	308,961	274,573
Accrued Expenses and Other Liabilities	399,909	749,348	361,118	687,152
Provisions	885,936	1,035,987	800,000	950,000
Short-Term Liabilities from Finance Leases	83,086	131,362	75,027	120,459
Deferred Revenue	1,892,375	1,742,160	1,708,815	1,597,561
Loans	136,542	320,961	123,297	294,321
Total Current Liabilities	3,739,997	4,279,243	3,377,218	3,924,066
Long-Term Liabilities				
Office Rent Amortization	307,246	330,141	277,443	302,739
Long-Term Liabilities from Finance Leases	46,763	81,312	42,227	74,563
Loans	66,361	17,834	59,924	16,354
Total Long-Term Liabilities	420,370	429,287	379,594	393,656
Total Liabilities	4,160,367	4,708,530	3,756,812	4,317,722
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	52,423,972	52,404,326	51,011,843	50,997,910
Accumulated Deficit	(58,053,678)	(58,762,833)	(56,277,412)	(56,916,361)
Current Net Profit	428,634	709,155	384,057	638,949
Foreign Currency Translation	671,255	704,375	546,505	579,788
Total Shareholders' Equity	1,142,454	727,294	1,031,635	666,928
Total Liabilities and Shareholders' Equity	5,302,821	5,435,824	4,788,447	4,984,650

artnet AG Consolidated Income Statement

For the Six Months Ended on June 30, 2016

	1/1-6/30/2016 USD	1/1-6/30/2015 USD	1/1-6/30/2016 EUR	1/1-6/30/2015 EUR	4/1-6/30/2016 USD	4/1-6/30/2015 USD	4/1-6/30/2016 EUR	4/1-6/30/2015 EUR
Revenue								
Gallery Network	2,648,090	2,698,562	2,372,689	2,417,372	1,369,577	1,377,622	1,213,078	1,245,566
Price Database	3,640,647	3,536,748	3,262,020	3,168,219	1,814,379	1,750,514	1,605,595	1,583,651
Advertising	1,664,629	1,628,384	1,491,508	1,458,706	750,020	957,177	661,958	863,278
artnet Auctions	1,565,881	1,546,235	1,403,029	1,385,117	739,212	769,547	653,240	696,117
Total Revenue	9,519,247	9,409,929	8,529,246	8,429,414	4,673,188	4,854,860	4,133,871	4,388,612
Cost of Sales	3,320,122	3,291,082	2,974,829	2,948,151	1,703,313	1,656,436	1,508,383	1,498,057
Gross Profit	6,199,125	6,118,847	5,554,417	5,481,263	2,969,875	3,198,424	2,625,488	2,890,555
Operating Expenses								
Selling and Marketing	2,205,985	2,340,170	1,976,563	2,096,324	1,077,612	1,144,441	953,129	1,035,593
General Administrative	1,984,576	1,861,657	1,778,180	1,667,672	1,037,061	909,369	918,784	822,897
Product Development	1,653,975	1,741,219	1,481,962	1,559,784	858,073	829,829	760,079	751,290
Non-Cash Compensation	68,173	54,763	61,083	49,057	33,763	35,626	29,873	32,081
Total Operating Expenses	5,912,709	5,997,809	5,297,788	5,372,837	3,006,509	2,919,265	2,661,865	2,641,861
Operating Income	286,416	121,038	256,629	108,426	(36,634)	279,159	(36,377)	248,694
Interest Expenses	14,671	30,388	13,145	27,222	5,644	15,197	4,958	13,746
Interest Income	1,462	594	1,310	532	353	306	304	277
Extraordinary Depreciation	-	-	-	-	-	-	-	-
Other Income/(Expenses)	163,568	(5,916)	146,557	(5,300)	184,050	27,233	165,134	24,106
Provision for Litigation Risks	-	-	-	-	-	-	-	-
Earnings Before Taxes	436,775	85,328	391,351	76,436	142,125	291,501	124,103	259,331
Income Taxes	(8,141)	(2,659)	(7,294)	(2,382)	-	(2,659)	90	(2,382)
Net Profit/(Loss)	428,634	82,669	384,057	74,054	142,125	288,842	124,193	256,949
Other Comprehensive Income								
OCI Recycled: Differences from Foreign Currency Translation	(33,120)	172,834	(33,283)	135,147	53,396	(37,262)	77,086	(25,173)
Total Comprehensive Income	395,514	255,503	350,774	209,201	195,521	251,580	201,279	231,776
Result per Share								
Basic and Diluted	0.05	0.01	0.04	0.01	0.00	0.05	0.00	0.05

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

For the Six Months Ended on June 30, 2016

Common Stock							
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
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)	-	-	-	-	82,669	172,834	255,503
Remuneration from Stock Options	-	-	-	36,950	-	-	36,950
Balance as of 6/30/2015	5,631,067	5,941,512	(269,241)	52,362,889	(58,680,164)	665,951	20,947
Balance as of 12/31/2015	5,631,067	5,941,512	(269,241)	52,404,326	(58,053,678)	704,375	727,294
Net Income/(Loss)	-	-	-	-	428,634	(33,120)	395,514
Remuneration from Stock Options	-	-	-	19,646	-	-	19,646
Balance as of 6/30/2016	5,631,067	5,941,512	(269,241)	52,423,972	(57,625,044)	671,255	1,142,454

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

For the Six Months Ended on June 30, 2016

Common Stock							
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
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)	-	-	-	-	74,054	135,147	209,201
Remuneration from Stock Options	-	-	-	33,016	-	-	33,016
Balance as of 6/30/2015	5,631,067	5,631,067	(264,425)	50,960,295	(56,842,307)	534,246	18,876
Balance as of 12/31/2015	5,631,067	5,631,067	(264,425)	50,997,910	(56,277,412)	579,788	666,928
Net Income/(Loss)	-	-	-	-	384,057	(33,283)	350,774
Remuneration from Stock Options	-	-	-	13,933	-	-	13,933
Balance as of 6/30/2016	5,631,067	5,631,067	(264,425)	51,011,843	(55,893,355)	546,505	1,031,635

artnet AG Consolidated Statement of Cash Flows

For the Six Months Ended on June 30, 2016

	1/1–6/30/2016 USD	1/1–6/30/2015 USD	1/1–6/30/2016 EUR	1/1–6/30/2015 EUR
Cash Flow from Operating Activities				
Net Profit/Loss	428,634	82,669	384,057	74,054
Adjustments to Reconcile Net Profit to Net Cash Provided by/(used in) Operating Activities				
Depreciation and Amortization	202,226	280,729	181,194	251,477
Impairments/Write-Offs for Receivables	122,098	(92,509)	109,400	(82,870)
Changes in Deferred Tax Assets	–	–	–	–
Non-Cash Compensation from Stock Options	19,646	36,950	17,603	33,100
Other Non-Cash Transactions	(166,491)	90,500	(149,176)	81,069
Changes in Operating Assets and Liabilities				
Trade Receivables	109,984	(121,164)	98,546	(108,539)
Other Current Assets	(11,626)	(105,143)	(10,417)	(94,187)
Security Deposits	(70)	(2,598)	(63)	(2,327)
Accounts Payable	42,724	(103,177)	38,281	(92,426)
Provisions	–	(29,352)	–	(26,294)
Accrued Expenses and Tax Liabilities	(372,334)	(325,310)	(333,611)	(291,413)
Deferred Revenue	150,215	243,997	134,593	218,573
Total Adjustments	96,372	(127,077)	86,350	(113,836)
Cash Flow Provided by/(used in) Operating Activities	525,006	(44,408)	470,406	(39,782)
Cash Flow from Investing Activities				
Purchase of Property and Equipment	(35,649)	(9,152)	(32,191)	(8,198)
Purchase and Development of Intangible Assets	(1,062)	(7,616)	(959)	(6,822)
Cash Flow Provided by/(used in) Investing Activities	(36,711)	(16,767)	(33,150)	(15,020)
Cash Flow from Financing Activities				
Repayment of Finance Leases	(82,825)	(153,226)	(74,211)	(137,260)
Loans Redeemed	(154,959)	(139,540)	(138,843)	(125,000)
Cash Flow Provided by/(used in) Financing Activities	(237,784)	(292,766)	(213,054)	(262,260)
Effects of Exchange Rate Changes on Cash	2,392	(56,178)	(11,001)	60,319
Changes in Cash and Cash Equivalents	252,902	(410,119)	213,201	(256,742)
Cash and Cash Equivalents—Start of Period	1,083,526	1,435,839	993,593	1,181,121
Cash and Cash Equivalents—End of Period	1,336,428	1,025,720	1,206,794	924,379
Supplemental Disclosures of Cash Flow				
Income Tax Receipts/(Payments)	(12,000)	–	(10,752)	–
Interest Payments	(9,029)	(19,504)	(8,090)	(17,472)
Interest Receipts	1,462	594	1,310	532

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 site where individuals can research artists and art prices, and find artworks that are currently available in the 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 August 11, 2016.

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 half-year 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 they were applied to the most recent annual financial statements. A detailed description of the accounting policies is published in the notes to the 2015 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 ending on June 30, 2016 are not necessarily indicative of future results.

The interim financial statements as of June 30, 2016 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 June 30, 2016.

Reporting Period

The consolidated financial statements were prepared for the reporting period from January 1, 2016 to June 30, 2016. 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 Group operates in 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 2015, the long-term intercompany loan was reduced to 1.5 million EUR. A settlement for this this loan is neither planned nor likely to occur in the foreseeable future. The intercompany loan qualifies as a net investment according to IAS 21.15. Accordingly, exchange differences on the euro-validating loan will be recognized in other comprehensive income, and will thus be accumulated in a separate component of equity until full or partial disposal of artnet AG ownership interest in Artnet Corp. As of June 30, 2016, currency exchange effects in the amount of 25,000 EUR were recognized as net investment in other comprehensive income, and increased the equity.

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

	USD to EUR			USD to GBP		
	6/30/2016	12/31/2015	6/30/2015	6/30/2016	12/31/2015	6/30/2015
Current Rate						
Period End	0.903	0.917	0.901	0.755	0.676	0.636
Average Rate						
for the Period	0.896	0.901	0.896	0.698	0.654	0.656

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 that 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 June 30, 2016, artnet AG held 78,081 of its own shares, unchanged from the previous year, representing 1.4% of common stock.

Related-Party Transactions

One of the financial liabilities of the Group comprise of a loan granted by the main shareholder. The loan serves as collateral to a potential temporary liquidity bottleneck, which could result from seasonal changes of cash collections. The loan agreement was terminated by mutual agreement as of May 20, 2015, and replaced by a short-term loan. The remaining balance of the loan as of June 30, 2016 is 123,297 EUR.

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, 2016, based on the most recent corporate planning for the fiscal years 2017 through 2019.

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.

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

- The artnet Galleries segment, which presents artworks from member galleries and partner auction houses
- The artnet Price Database segment, comprising of all database-related products, including the Price Database Fine Art and Design and the Price Database Decorative Art, as well as the products based thereupon, including Market Alerts and Analytics Reports
- The artnet Auctions segment, which provides a platform to buy and sell artworks online
- The artnet News segment, offering an online news service providing information about the events, trends, and people shaping the art market and global art industry

Management decisions for segments are based on the Contribution Margin II (revenue minus direct and indirect variable costs), which is therefore presented below as the segment result. Indirectly attributable expenses are allocated to the segments, using the ration of headcounts and revenue for each segment. The segment reporting is presented, similar to the internal communication, in US dollars.

An allocation of assets or liabilities for each segment is not provided to Management. Therefore, segment-related assets and liabilities are not presented in this report.

Period January 1, 2016 to June 30, 2016	Revenue k USD	Contribution Margin II k USD
artnet Galleries	3,305	1,708
artnet Price Database	3,804	2,155
artnet Auctions	1,572	(23)
artnet News	838	(412)
Total	9,519	3,428

Period January 1, 2015 to June 30, 2015	Revenue k USD	Contribution Margin II k USD
artnet Galleries	3,358	1,816
artnet Price Database	3,790	1,919
artnet Auctions	1,546	(229)
artnet News	716	(428)
Total	9,410	3,078

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	6/30/2016 k USD	6/30/2015 k USD
Contribution Margin II	3,428	3,078
Fix Costs of Sales Expenses Including Depreciation -281,000 USD	1,095	1,085
Fix Costs of General and Administrative Expenses	1,791	1,638
Fix Costs of Product Development Expenses	256	234
Operating Income	286	121

Advertising revenue will now be allocated to the segments where banners have been placed. The following table reconciles the advertising revenue in the consolidated statement and the presentation in the segment reporting:

Period January 1, 2016 to June 30, 2016	Revenue in Consolidated Income Statement k USD	Allocated Advertising Revenue k USD	Revenue by Segment k USD
Segments			
artnet Galleries	2,648	657	3,305
artnet Price Database	3,640	164	3,804
artnet Auctions	1,566	6	1,572
artnet News	–	838	838
Allocated Advertising Revenue	1,665	-1,665	–
Total	9,519	–	9,519

Period January 1, 2015 to June 30, 2015	Revenue in Consolidated Income Statement k USD	Allocated Advertising Revenue k USD	Revenue by Segment k USD
Segments			
artnet Galleries	2,699	659	3,358
artnet Price Database	3,537	253	3,790
artnet Auctions	1,546	–	1,546
artnet News	–	716	716
Allocated Advertising Revenue	1,628	-1,628	–
Total	9,410	–	9,410

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:

	1/1–6/30/2016 EUR	1/1–6/30/2015 EUR
Numerator (Earnings)		
Net income for the first six months	384.057	74.054
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 2016. As a result, there are no diluted shares.

Employees

In the first six months of the 2016 fiscal year, there were 112 full-time employees in the Group, as compared to 116 in the same period of 2015. Additionally, the Group had two part-time employees, as compared to two in the same period last year. In sales and other departments, the Group had 10 freelancers, as compared to 12 in the same period last year.

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:

June 21, 2016

Artnews S.A. with its registered office in Warsaw, Poland, informed us on June 21, 2016 that its share of the voting rights in artnet AG fell below the threshold of 3% and 5% on June 6, 2016 and on this date amounts to 0% voting rights of the total of 5,631,067 voting rights in artnet AG.

June 17, 2016

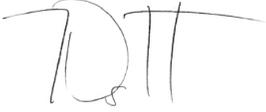
Matczuk Wieczorek I Wspolnicy Kancelaria Adwokatow I Radcow Prawnych Spolka Jawna (General Partnership) with its registered office in Warsaw, Poland, informed us on June 17, 2016 that its share of the voting rights in artnet AG exceeded above the threshold of 3% and 5% on June 6, 2016, and on this date amounted to 8.29% (466,604 voting rights of the total of 5,631,067 voting rights in artnet AG).

February 25, 2016 and March 3, 2016

Mr. Hans-Herbert Döbert, Germany, informed us on February 25, 2016 and March 3, 2016 that his share of the voting rights in artnet AG exceeded the threshold of 5% on August 13, 2015, and on this date amounted to 6.66%, (375,193 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, August 11, 2016

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

Jacob Pabst
CEO, artnet AG

artnet AG

Supervisory Board

Andreas Langenscheidt, Chairman
Hans Neuendorf, Deputy Chairman
Dr. Bernhard Heiss

Management Board

Jacob Pabst, CEO

Artnet Worldwide Corporation

Jacob Pabst, CEO

artnet France sarl

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.

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