

**artnet** AG

Six-Month Report 2017

## Key Financial Figures for the artnet Group

	6/30/2017	12/31/2016	6/30/2016
Revenue (k EUR)	9,523	17,386	8,529
Profit from Operations (k EUR)	247	644	257
Earnings Before Tax (k EUR)	293	674	391
Earnings per Share (EUR)	0.05	0.11	0.07
Weighted Number of Shares (Thousands)	5,553	5,553	5,553
Cash Flow from Operating Activities (k EUR)	655	894	470
Staff (Six-Months End)	116	115	118
Cash and Cash Equivalents (k EUR)	1,403	1,055	1,207
Equity (k EUR)	1,461	1,469	1,032
Total Assets (k EUR)	5,473	5,523	4,788

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Jacob Pabst  
CEO, artnet AG

## Dear Shareholders,

artnet continues to thrive in spite of a tough market and a highly competitive environment. In the first six months of 2017, we stepped up investments in all our business segments, growing revenue month after month. We continue to invest in people, our most important asset, and succeed in hiring experienced and forward-thinking leaders in the fields of media, art, and technology. This is a testament to the strong brand that artnet has built over the years.

This positive momentum resulted in an increase of total revenue of 8.3% to 10,308k USD in the first six months of 2017, as compared to the same period in 2016. This increase was driven by significantly higher revenue for artnet Auctions, as well as higher advertising revenue for artnet News. Net profit fell by 30% to 299k USD due to the added investment.

Despite a general decline of the global art market, online-only auctions continue to gain popularity. Fee-based revenue for artnet Auctions in the first six months of the year grew by 43% to 2,234k USD on sales of 11,000k USD, reflecting a significantly higher average lot price of more than 12,000 USD, as well as strong bidding activity. artnet Auctions now contributes almost a quarter of the company's total revenue.

artnet News has established itself as the leading online platform for news about the global art market. This year, it increased traffic each month and is becoming more popular among luxury brands for their ad campaigns. artnet News contributed almost two-thirds of artnet's total advertising revenue, which increased by 13% to 1,874k USD in the first six months.

Revenue for the Galleries segment decreased by 3% to 2,568k USD due to a slight decline in memberships. We continue to support galleries, one of our main client bases, and are in the process of releasing a number of new features and improvements to boost inquiries and increase revenue. Many galleries are still struggling with high operational costs, demanding art fair schedules, and increased competition from auction houses and top galleries.

The Price Database has once again contributed the highest revenue of the four business segments totaling 3,631k USD. Analytics, which is part of the Price Database segment, continues to grow. We released a test version of the company's new tool, artnet Insights, which allows users to analyze art market data. It uses the Price Database's data in combination with proprietary algorithms developed by our in-house expert Dr. Fabian Bocart, an award-winning statistician and one of the few specialists in the field of quantitative art market analysis. Subscribers will soon be able to research and evaluate an artist's market performance using detailed reports and identify market shares of auction houses per artist.

It is evident that there is strong momentum at artnet, and we are looking forward to continued market leadership and growth in the future.

Berlin, August 11, 2017

Yours sincerely,

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

Jacob Pabst  
CEO, artnet AG

## Macroeconomic and Industry Conditions

The economies of the world's biggest art markets are improving. In the United States, the economy expanded at a moderate pace during the first six months of the year. Gross domestic product (GDP) grew at an annual rate of 2.6% in the second quarter of 2017, after only growing 1.2% in the first three months. In particular, growth in consumer spending, which was weak in the beginning of the year, rebounded again in recent months. The Federal Reserve expects this moderate growth to continue over the next couple of years. A further strengthening of the job market should support growth in incomes and consumer spending, while simultaneously global economic growth should support American exports. The Federal Reserve also expects a continuous and gradual increase of interest rates—this could have a negative effect on asset prices, including art.

In the euro area, growth has quickened and unemployment has fallen against a backdrop of extremely low interest rates. In the second quarter, seasonally adjusted GDP rose by 0.6%, as compared to the previous three months. In the first quarter of 2017, GDP had grown by 0.5%. The European Commission projects a broad-based and steady recovery resulting in GDP growth of 1.7% this year. After last year's unsettling referendum—in favor of the departure of the United Kingdom from the European Union (Brexit)—the election of pro-EU candidates in the Netherlands and France has reduced political uncertainty. As a consequence, global sales volumes are likely to increase from a more stable Europe.

The Chinese economy expanded by 6.9% in the first half of 2017, exceeding the 6.7% increase for 2016 and beating the consensus made by forecasters. The International Monetary Fund raised its full-year growth target for China by 0.1 percentage point to 6.7%.

The global fine art auction market continues to decline. Sales volume in the first six months of 2017 decreased by 16% to 7.6 billion USD, as compared to 2016, due to a worldwide drop in supply. The number of lots offered and sold decreased by 21% and 30%, respectively. There were possibly fewer artworks offered for sale because optimistic sellers held back, expecting higher prices in the future. In Europe and Asia, sales declined 21%

and 36%, respectively. However, in the United States, artnet's core market, sales increased by 20% as compared to 2016, due to significantly higher demand, and as a result, achieved higher prices at auction. The average price per lot increased by 67% to 43k USD. In May, Jean-Michel Basquiat's *Untitled* (1982) sold for 110.5 million USD—a new world record for a work by an American artist. The two leading auction houses, Christie's and Sotheby's, increased their market share in the first half of the year, causing intensified competition among the remaining players, including artnet Auctions.

In the first half of 2017, the number of lots offered and sold globally at auction for contemporary art decreased by 18% and 21%, respectively, as compared to 2016. The sell-through rate increased by 6.4 percentage points to 72% in the same period. Total sales volume in the first half of 2017 increased by 2% to 3.3 billion USD, as the contemporary market concentrated towards higher valued lots.

## Result of Operations, Financial Status, and Net Assets

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 Jay Art GmbH. artnet acquired the online art marketplace Jay Art GmbH ("Jay Art") and its platform, Artusiast, on June 6, 2017. artnet expects to benefit from Jay Art's networks, their close relationship with German auction houses, and their site content.

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 2016. Thus, the development in the reporting currency euro is almost identical.

## Result of Operations

artnet's total revenue in the first six months of 2017 totaled 10,308,000 USD, an increase of 8% from 2016 (9,519,000 USD).

artnet Auctions revenue in the first six months of 2017 increased significantly by 43% to 2,234,000 USD, as compared to 2016 (1,566,000 USD). Buyer's and seller's premiums increased to 24.9%. The average price of lots sold during the first six months of 2017 was 12,100 USD, an increase of 73% from 2016 (7,000 USD). The number of lots sold during the first six months of 2017 and 2016 was 707 and 848, respectively.

Gallery Network revenue in the first six months of 2017 decreased by 3% to 2,568,000 USD, as compared to 2016 (2,648,000 USD), reflecting a slight decline in gallery memberships for this segment. This is largely due to increased competition from top galleries and auction houses, high rent and operational costs, as well as the major role art fairs have played for middle-market dealers. In the second quarter, Gallery Network revenue remained stable as compared to 2016.

Advertising revenue in the first six months of 2017 grew by 13% to 1,874,000 USD, as compared to 2016 (1,665,000 USD). In the second quarter of 2017, ad revenue increased by 29%, as compared to 2016. In the first six months of 2017, ad revenue from artnet News and the Price Database increased by 344,000 USD and 11,000 USD, respectively, from 2016. Ad revenue from the Gallery Network declined by 143,000 USD in the same time period, due to a transition in luxury advertising to the news platform.

Revenue for the Price Database in the first six months of 2017 totaled 3,631,000 USD, which was relatively unchanged, representing a slight decrease of 0.3%, as compared to 2016 (3,641,000 USD). In the second quarter of 2017, Price Database revenue increased by 1% as compared to 2016, due to significant revenue growth for Analytics.

## Changes in Costs and Results

Gross profit from sales in the first six months of 2017 increased by 3%, or 193,000 USD to 6,393,000 USD, as compared to 2016, as a result of increased revenue and the early effects of our positive investments in teams and products.

Sales and marketing expenses in the first six months of 2017 increased by 8%, or 168,000 USD to 2,374,000 USD, as compared to 2016, as a result of increased investment in artnet News' marketing and sales.

General and administrative expenses totaled 2,043,000 USD, an increase of 3% from 1,985,000 USD last year. This increase is mainly due to higher expenses for consulting and bad debt.

Product development expenses in the first six months of 2017 increased by 3% to 1,707,000 USD, as compared to 2016, due to increased investments made to the Product Development Team with the goal of releasing new features and enhancements to the site. The development of the Gallery Portal tool was capitalized in the amount of 256,000 USD.

Consolidated earnings in the first six months of 2017 and 2016 totaled 299,000 USD and 429,000 USD, respectively. This decrease is mainly due to the 2016 release of a provision in the amount of 150,000 EUR reserved for the dismissed German lawsuit by a photographer against artnet AG in Berlin, as 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, 2017 and 2016. For the period before June 30, 2017, the average exchange rate was 0.9238 USD/EUR, as compared to 0.896 USD/EUR in the same period in 2016. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of June 30, 2017, the rate was 0.876 USD/EUR, as compared to 0.950 USD/EUR on December 31, 2016.

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 2017 and 2016 totaled 741,000 USD and 525,000 USD, respectively. 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 months of 2017 and 2016 was negative at -275,000 USD and -37,000 USD, respectively. The main reason for the negative increase is the capitalization of the Gallery Portal.

The Group's cash flow from financing activities in the first six months of 2017 and 2016 was negative at -28,000 USD and -238,000 USD, respectively. The primary reason for the decrease in financing activities is the repayment of the shareholder loan at the end of 2016.

As of June 30, 2017, cash and cash equivalents amounted to 1,600,000 USD, as compared to 1,110,000 USD on December 31, 2016.

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, 2017, the liquidity per share totaled 0.29 USD (0.25 EUR) based on an average of 5,552,986 shares in circulation, as compared to 0.24 USD (0.22 EUR) on June 30, 2016.

### Financial Status

Consolidated total assets on June 30, 2017, totaled 6,245,000 USD, a 7% increase from the balance sheet total of 5,812,000 USD on December 31, 2016.

Trade accounts receivables decreased by 326,000 USD to 1,324,000 USD, as compared to December 31, 2016.

Fixed and intangible assets increased by 123,000 USD to 1,499,000 USD, as compared to December 31, 2016. This increase is mainly due to the capitalization of intangible assets relating to the development of the Gallery Portal tool in the amount of 256,000 USD, partly offset by depreciation and amortization of purchasing costs of 169,000 USD for computer equipment and software. These purchases are mainly financed through financial lease contracts and did not lead to significant cash outflow in the reporting period.

Current liabilities have increased by 343,000 USD to 4,312,000 USD since December 31, 2016, mainly due to increased accrued expenses and a seasonal increase in deferred revenue.

As of June 30, 2017, the Group's consolidated equity increased to 1,668,000 USD, as compared to 1,546,000 USD on December 31, 2016, due to the positive Group result.

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 law allowed this recognition.

### Risks and Opportunities

The risk situation dated December 31, 2016 (March 24, 2017) for the financial statements has not changed materially as compared to the 2016 reporting year. A detailed overview of risks and opportunities can be found in the 2016 Annual Report. As described in the 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 2017.



## Supplementary Report and Outlook

### Supplementary Report

Between the end of the second quarter of 2017 and the date of this report, no significant events occurred that affect 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.

The Management Board expects artnet Auctions to continue its strong growth for the remainder of 2017. Changes to the curation and timing of sales, as well as increased efforts for client development, have already improved the sell-through rate and the average transaction value in the first half of the year. A new department for Contemporary Middle Eastern Art was introduced, which broadens the coverage of the contemporary art market and brings a new clientele to artnet. In addition, a new digital commerce platform is being developed to increase business volume, as well as convenience and protection for buyers and sellers.

For the Price Database, Management anticipates slight revenue growth in 2017, supported by the introduction of artnet Insights. The new tool allows users to analyze an artist's market performance online, utilizing Price Database data and leveraging proprietary algorithms. A test version was released to select audiences to garner feedback for wider distribution. Redesigned product pages for the Price Database and Market Alerts have improved the conversion rate for both products. In addition, discount plans for students and business development initiatives for potential institutional clients have been introduced to expand the client base.

For the Galleries segment, Management expects a flat revenue growth in 2017. The Gallery Portal, which had a soft release to select clients, received positive feedback and will be widely released by early fall. This tool allows galleries to manage their inventory showcased on their member sites. In addition,

artnet News will introduce editorial content about Gallery Network partners—this will include interviews, feature stories, and reviews of exhibitions. The news platform will provide clear and separate branding for this editorial content to maintain the journalistic integrity of the artnet News Team.

For advertising, Management expects very strong revenue growth driven by ad sales for artnet News. The new editorial strategy and the rebuilding of staff under new leadership has already increased traffic to the site. Emphasis on original news and quality has resulted in several major exclusives, which were widely picked up by other prominent publications and drove traffic and attention back to artnet. In May, artnet News was first to report that Jared Kushner, President Trump's senior advisor and son-in-law, failed to disclose his formidable art collection. News is expanding the morning newsletter and will add an additional newsletter in the afternoon to increase opportunities for ad revenue.

Based on the expectations for the individual segments, the Management Board continues to predict an increase in revenue from 20.5 to 21.5 million USD for the 2017 financial year. For net profit, we continue to predict a decrease to 0.3 from 0.5 million USD.

Berlin, August 11, 2017



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, 2017

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Jacob Pabst  
CEO, artnet AG



## artnet AG Consolidated Balance Sheet

As of June 30, 2017

	6/30/2017 USD	12/31/2016 USD	6/30/2017 EUR	12/31/2016 EUR
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	1,601,571	1,110,281	1,403,457	1,055,100
Trade Receivables	1,324,055	1,649,657	1,160,269	1,567,669
Other Current Assets	544,501	404,742	477,146	384,626
<b>Total Current Assets</b>	<b>3,470,127</b>	<b>3,164,680</b>	<b>3,040,872</b>	<b>3,007,395</b>
<b>Non-Current Assets</b>				
Property, Plant, and Equipment	453,978	531,244	397,821	504,841
Intangible Assets	1,045,546	844,925	916,212	802,932
Security Deposits	391,364	386,511	342,952	367,301
Deferred Tax Assets	884,432	884,432	775,028	840,476
<b>Total Non-Current Assets</b>	<b>2,775,320</b>	<b>2,647,112</b>	<b>2,432,013</b>	<b>2,515,550</b>
<b>Total Assets</b>	<b>6,245,447</b>	<b>5,811,792</b>	<b>5,472,885</b>	<b>5,522,945</b>
<b>Equity and Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	469,495	367,131	411,418	348,885
Accrued Expenses and Other Liabilities	764,758	692,713	670,157	658,285
Provisions	969,987	894,454	850,000	850,000
Short-Term Liabilities from Finance Leases	56,817	76,735	49,789	72,921
Deferred Revenue	2,051,213	1,938,181	1,797,478	1,841,853
<b>Total Current Liabilities</b>	<b>4,312,270</b>	<b>3,969,214</b>	<b>3,778,842</b>	<b>3,771,944</b>
<b>Long-Term Liabilities</b>				
Office Rent Amortization	261,456	284,351	229,114	270,219
Long-Term Liabilities from Finance Leases	4,037	12,112	3,538	11,510
<b>Total Long-Term Liabilities</b>	<b>265,493</b>	<b>296,463</b>	<b>232,652</b>	<b>281,729</b>
<b>Total Liabilities</b>	<b>4,577,763</b>	<b>4,265,677</b>	<b>4,011,494</b>	<b>4,053,673</b>
<b>Shareholders' Equity</b>				
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	52,423,972	51,015,723	51,015,723
Accumulated Deficit	(57,353,077)	(58,053,678)	(55,644,205)	(56,277,412)
Current Net Profit	299,466	700,601	276,659	633,207
Foreign Currency Translation	625,052	802,949	446,572	731,112
<b>Total Shareholders' Equity</b>	<b>1,667,684</b>	<b>1,546,115</b>	<b>1,461,391</b>	<b>1,469,272</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,245,447</b>	<b>5,811,792</b>	<b>5,472,885</b>	<b>5,522,945</b>

## artnet AG Consolidated Income Statement

For the Six Months Ended on June 30, 2017

	1/1/2017– 6/30/2017 USD	1/1/2016– 6/30/2016 USD	1/1/2017– 6/30/2017 EUR	1/1/2016– 6/30/2016 EUR	4/1/2017– 6/30/2017 USD	4/1/2016– 6/30/2016 USD	4/1/2017– 6/30/2017 EUR	4/1/2016– 6/30/2016 EUR
<b>Revenue</b>								
Gallery Network	2,568,463	2,648,090	2,372,872	2,372,689	1,373,873	1,369,577	1,251,963	1,213,078
Price Database	3,630,647	3,640,647	3,354,170	3,262,020	1,835,225	1,814,379	1,669,488	1,605,595
Advertising	1,874,406	1,664,629	1,731,668	1,491,508	970,169	750,020	883,203	661,958
Auctions	2,234,259	1,565,881	2,064,118	1,403,029	1,132,350	739,212	1,030,174	653,240
<b>Total Revenue</b>	<b>10,307,775</b>	<b>9,519,247</b>	<b>9,522,828</b>	<b>8,529,246</b>	<b>5,311,617</b>	<b>4,673,188</b>	<b>4,834,828</b>	<b>4,133,871</b>
Cost of Sales	3,915,243	3,320,122	3,617,094	2,974,829	1,966,350	1,703,313	1,788,407	1,508,383
<b>Gross Profit</b>	<b>6,392,532</b>	<b>6,199,125</b>	<b>5,905,734</b>	<b>5,554,417</b>	<b>3,345,267</b>	<b>2,969,875</b>	<b>3,046,421</b>	<b>2,625,488</b>
<b>Operating Expenses</b>								
Selling and Marketing	2,374,443	2,205,985	2,193,627	1,976,563	1,112,615	1,077,612	1,009,627	953,129
General and Administrative	2,043,280	1,984,576	1,887,683	1,778,180	1,043,013	1,037,061	949,111	918,784
Product Development	1,707,267	1,653,975	1,577,257	1,481,962	892,703	858,073	812,934	760,079
Non-Cash Compensation	–	68,173	–	61,083	–	33,763	–	29,873
<b>Total Operating Expenses</b>	<b>6,124,990</b>	<b>5,912,709</b>	<b>5,658,567</b>	<b>5,297,788</b>	<b>3,048,331</b>	<b>3,006,509</b>	<b>2,771,672</b>	<b>2,661,865</b>
<b>Operating Income</b>	<b>267,542</b>	<b>286,416</b>	<b>247,167</b>	<b>256,629</b>	<b>296,936</b>	<b>(36,634)</b>	<b>274,749</b>	<b>(36,377)</b>
Interest Expenses	162	14,671	150	13,145	68	5,644	62	4,958
Interest Income	10	1,462	9	1,310	–	353	–	304
Other Income/(Expenses)	49,927	163,568	46,125	146,557	55,416	184,050	51,275	165,134
Provision for Litigation Risks	–	–	–	–	–	–	–	–
<b>Earnings Before Taxes</b>	<b>317,317</b>	<b>436,775</b>	<b>293,151</b>	<b>391,351</b>	<b>352,284</b>	<b>142,125</b>	<b>325,962</b>	<b>124,103</b>
Income Taxes	(17,851)	(8,141)	(16,492)	(7,294)	–	–	258	90
<b>Net Profit/(Loss)</b>	<b>299,466</b>	<b>428,634</b>	<b>276,659</b>	<b>384,057</b>	<b>352,284</b>	<b>142,125</b>	<b>326,220</b>	<b>124,193</b>
<b>Other Comprehensive Income</b>								
OCI Recycled: Differences from Foreign Currency Translation	(177,897)	(33,120)	(284,540)	(33,283)	(163,734)	53,396	(247,523)	77,086
<b>Total Comprehensive Income</b>	<b>121,569</b>	<b>395,514</b>	<b>(7,881)</b>	<b>350,774</b>	<b>188,550</b>	<b>195,521</b>	<b>78,697</b>	<b>201,279</b>
<b>Result per Share</b>								
Basic and Diluted	0.05	0.08	0.05	0.07	0.06	0.03	0.06	0.02

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

For the Six Months Ended on June 30, 2017

	Common Stock						Total
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	
<b>Balance as of 12/31/2015</b>	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
<b>Balance as of 6/30/2016</b>	5,631,067	5,941,512	(269,241)	52,423,972	(57,625,044)	671,255	1,142,454
<b>Balance as of 12/31/2016</b>	5,631,067	5,941,512	(269,241)	52,423,972	(57,353,077)	802,949	1,546,115
Net Income/(Loss)	-	-	-	-	299,466	(177,897)	121,569
Remuneration from Stock Options	-	-	-	-	-	-	-
<b>Balance as of 6/30/2017</b>	5,631,067	5,941,512	(269,241)	52,423,972	(57,053,611)	625,052	1,667,684

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

For the Six Months Ended on June 30, 2017

	Common Stock						Total
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	
<b>Balance as of 12/31/2015</b>	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
<b>Balance as of 6/30/2016</b>	5,631,067	5,631,067	(264,425)	51,011,843	(55,893,355)	546,505	1,031,635
<b>Balance as of 12/31/2016</b>	5,631,067	5,631,067	(264,425)	51,015,723	(55,644,205)	731,112	1,469,272
Net Income/(Loss)	-	-	-	-	276,659	(284,540)	(7,881)
Remuneration from Stock Options	-	-	-	-	-	-	-
<b>Balance as of 6/30/2017</b>	5,631,067	5,631,067	(264,425)	51,015,723	(55,367,546)	446,572	1,461,391

## artnet AG Consolidated Statement of Cash Flows

For the Six Months Ended on June 30, 2017

	1/1–6/30/2017 USD	1/1–6/30/2016 USD	1/1–6/30/2017 EUR	1/1–6/30/2016 EUR
<b>Cash Flow from Operating Activities</b>				
Net Profit/(Loss)	299,466	428,634	276,659	384,057
<b>Adjustments to Reconcile Net Profit to Net Cash Provided by (Used in) Operating Activities</b>				
Depreciation and Amortization	200,556	202,226	185,284	181,194
Impairments/Write-Offs for Receivables	180,353	122,098	166,619	109,400
Changes in Deferred Tax Assets	–	–	–	–
Non-Cash Compensation from Stock Options	–	19,646	–	17,603
Other Non-Cash Transactions	(204,633)	(166,491)	(218,636)	(149,176)
<b>Changes in Operating Assets and Liabilities</b>				
Trade Receivables	145,249	109,984	134,188	98,546
Other Current Assets	(139,759)	(11,626)	(129,116)	(10,417)
Security Deposits	(4,853)	(70)	(4,483)	(63)
Accounts Payable	102,364	42,724	94,569	38,281
Provisions	–	–	–	–
Accrued Expenses and Tax Liabilities	49,150	(372,334)	45,407	(333,611)
Deferred Revenue	113,032	150,215	104,425	134,593
<b>Total Adjustments</b>	<b>441,459</b>	<b>96,372</b>	<b>378,257</b>	<b>86,350</b>
<b>Cash Flow Provided by (Used in) Operating Activities</b>	<b>740,925</b>	<b>525,006</b>	<b>654,916</b>	<b>470,407</b>
<b>Cash Flow from Investing Activities</b>				
Purchase of Property and Equipment	(28,652)	(35,649)	(25,107)	(32,191)
Purchase and Development of Intangible Assets	(260,291)	(1,062)	(228,093)	(959)
Payment for Acquisition of Consolidated Companies	14,256	–	12,493	–
<b>Cash Flow Used in Investing Activities</b>	<b>(274,687)</b>	<b>(36,712)</b>	<b>(240,707)</b>	<b>(33,151)</b>
<b>Cash Flow from Financing Activities</b>				
Repayment of Finance Leases	(27,993)	(82,825)	(25,861)	(74,211)
Loans Redeemed	–	(154,959)	–	(138,844)
<b>Cash Flow Used in Financing Activities</b>	<b>(27,993)</b>	<b>(237,784)</b>	<b>(25,861)</b>	<b>(213,055)</b>
<b>Effects of Exchange Rate Changes on Cash</b>	<b>53,045</b>	<b>2,392</b>	<b>(39,991)</b>	<b>(11,001)</b>
<b>Changes in Cash and Cash Equivalents</b>	<b>491,290</b>	<b>252,901</b>	<b>348,357</b>	<b>213,200</b>
<b>Cash and Cash Equivalents—Start of Period</b>	<b>1,110,281</b>	<b>1,083,526</b>	<b>1,055,100</b>	<b>993,593</b>
<b>Cash and Cash Equivalents—End of Period</b>	<b>1,601,571</b>	<b>1,336,427</b>	<b>1,403,457</b>	<b>1,206,793</b>
<b>Supplemental Disclosures of Cash Flow</b>				
Income Tax Receipts/(Payments)	–	(12,000)	–	(10,752)
Interest Payments	(162)	(9,029)	(150)	(8,090)
Interest Receipts	10	1,462	9	1,310

## 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 100% of Jay Art GmbH. 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, 2017.

### 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 2016 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, 2017 are not necessarily indicative of future results.

The interim financial statements as of June 30, 2017 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, 2017.

### Reporting Period

The consolidated financial statements were prepared for the reporting period from January 1, 2017 to June 30, 2017. 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 2017, the long-term intercompany loan remained at 1.5 million EUR. A settlement for 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, 2017, currency exchange effects in the amount of 133,000 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	6/30/2017	12/31/2016	6/30/2016
Current Rate Period End	0.876	0.950	0.903
Average Rate for the Period	0.924	0.904	0.896

USD to GBP	6/30/2017	12/31/2016	6/30/2016
Current Rate Period End	0.770	0.811	0.755
Average Rate for the Period	0.795	0.741	0.698

### 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.

An office was opened in London in November 2007, with the formation of artnet UK Ltd., the UK subsidiary of Artnet

Worldwide Corporation. Artnet AG and its subsidiaries employ a total of 116 people. The office in Paris closed in 2012, and in 2016, the French subsidiary has been liquidated.

On June 6, 2017, artnet acquired Jay Art GmbH and its online platform Artusiast for an immaterial price. artnet expects to benefit from its networks, close relationships with German auction houses, and site content. The acquired assets of Jay Art GmbH totaled 73k EUR, of that, 12k EUR in cash. The initial consolidation resulted in a negative difference of -28k EUR, which was used to hedge the acquired intangible assets.

### 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, 2017, artnet AG held 78,081 of its own shares, unchanged from the previous year, representing 1.4% of common stock.

### Related-Party Transactions

In 2016, one of the financial liabilities of the Group comprised of a loan granted by the main shareholder. The loan agreement was terminated by mutual agreement as of May 20, 2015, and replaced by a short-term loan. In October 2016 the loan was repaid in full.

### 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, 2017, based on the most recent corporate planning for the fiscal years 2018 through 2020.

### 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, 2017 to June 30, 2017	Revenue k USD	Contribution Margin II k USD
artnet Galleries	3,082	1,566
artnet Price Database	3,806	1,978
artnet Auctions	2,237	43
artnet News	1,183	(194)
<b>Total</b>	<b>10,308</b>	<b>3,393</b>

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)
<b>Total</b>	<b>9,519</b>	<b>3,428</b>

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	6/30/2017 k USD	6/30/2016 k USD
Contribution Margin II	3,393	3,428
Fix Costs of Sales Expenses Including Depreciation -200,500 USD	1,092	1,095
Fix Costs of General and Administrative Expenses	1,780	1,791
Fix Costs of Product Development Expenses	254	256
<b>Operating Income</b>	<b>267</b>	<b>286</b>

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, 2017 to June 30, 2017	Revenue in Consolidated Income Statement k USD	Allocated Advertising Revenue k USD	Revenue by Segment k USD
<b>Segments</b>			
artnet Galleries	2,569	513	3,082
artnet Price Database	3,631	175	3,806
artnet Auctions	2,234	3	2,237
artnet News	-	1,183	1,183
Allocated Advertising Revenue	1,874	(1,874)	-
<b>Total</b>	<b>10,308</b>	<b>-</b>	<b>10,308</b>

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
<b>Segments</b>			
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)	-
<b>Total</b>	<b>9,519</b>	<b>-</b>	<b>9,519</b>

### 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:

	1/1–6/30/2017 EUR	1/1–6/30/2016 EUR
<b>Numerator (Earnings):</b>		
Net income for the first six months	276,659	384,057
<b>Denominator (Number of Shares):</b>		
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 2017 fiscal year, there were 116 full-time employees in the Group, as compared to 118 in the same period of 2016. 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.

## 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: lowered or tax loss carryforwards expire from planned usage.

Date of Notification	Details of person subject to the notification obligation: (Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity)	Names of shareholder(s) holding directly 3% or more voting rights, if different from person subject to the notification obligation	+ = exceeding - = reduction	Threshold %	Date on which threshold was crossed or reached	Voting rights %	Voting rights direct (Sec. §21 WpHG)	Voting rights indirect (Sec. §22 WpHG)	Instruments according to Sec. 25 para. 1 No. 1 WpHG	Instruments %	Comment
4/6/2017	Dr. Bernhard Heiss		+	5	4/6/2017	534,137	0	0	2.77	155,752	Off-exchange acquisition of a total of 448,289 shares, of which 155,752 shares delayed the settlement process (transfer of shares from another European country).
4/6/2017	Dr. Bernhard Heiss		+	10	4/6/2017	12.25	689,889	0			Correction of a notification of Major Holding published on 02/25/2016
4/6/2017	Hans-Herbert Döbert		-	3, 5	4/6/2017	0	0	0			
4/10/2017	Hans-Herbert Döbert		-	5	4/10/2017	2.77	155,752	0			Correction of a notification published on 04/06/2017.
5/3/2017	Rüdiger K. Weng	Weng Fine Art AG	+	3	5/3/2017	3.02	0	170,000			
6/2/2017	Hans Reinhard Neuendorf		-	3, 5, 10, 15, 20, 25	6/2/2017	0	0				Hans Neuendorf no longer has a controlling influence on Galerie Neuendorf AG. Galerie Neuendorf AG still holds 25.96% of artnet AG.

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

Berlin, August 11, 2017



Jacob Pabst  
CEO, artnet AG

**artnet AG**

**Supervisory Board**

Hans Neuendorf, Chairman  
Dr. Bernhard Heiss, Deputy Chairman  
Kilian Jay von Seideneck

**Management Board**

Jacob Pabst, CEO

**Artnet Worldwide Corporation**

Jacob Pabst, CEO

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Jacob Pabst, CEO

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**Investor Relations**

You can find information for investors and the annual financial statements at [artnet.com/investor-relations](http://artnet.com/investor-relations).

If you have further queries, please send an email to [ir@artnet.com](mailto: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](http://artnet.com/investor-relations).

**Wertpapier-Kenn-Nummer**

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Artnet Worldwide Corporation

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