artnet AG

Six-Month Report 2018

Key Financial Figures for the artnet Group

	6/30/2018	12/31/2017	6/30/2017
Revenue (k EUR)	8,841	18,426	9,523
Profit from Operations (k EUR)	161	361	247
Earnings Before Tax (k EUR)	72	419	293
Earnings per Share (EUR)	0.01	0.13	0.05
Weighted Number of Shares (k EUR)	5,553	5,553	5,553
Cash Flow from Operating Activities (k EUR)	344	1,008	655
Staff (Year End)	134	122	116
Cash and Cash Equivalents (k EUR)	859	1,106	1,403
Equity (k EUR)	1,869	1,696	1,461
Total Assets (k EUR)	6,045	5,752	5,473

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Dear Shareholders,

Jacob Pabst
CEO, artnet AG

In 2018, artnet further strengthened its position within the art market. We remain the leading provider of data analytics for fine art while sharpening our focus on sourcing high-quality lots for the Auctions segment, resulting in several record sales in the first six months of the year. Buyers and sellers alike are embracing online sales, reaffirming our positive long-term prospect as the premier online auction platform.

Against a solid, albeit slightly easing economic background in some of the biggest art markets, artnet grew its total revenue by 4% to 10.7 million USD in the first six months of 2018, as compared to the same period in 2017. This was mainly driven by significantly higher revenue for the Price Database and Galleries segments. Net profit decreased by 72% to 83k USD due to considerable investments in personnel and upgrading our technological infrastructure.

The Price Database, our core segment, advanced its position as the most comprehensive, reliable, and transparent archive for art auction results. It now offers access to more than 12 million illustrated records dating back over three decades. Price Database revenue increased by 6% to 3.9 million USD, the highest result for the first half of a year since the founding of the company. A redesigned product page led to an increasing number of retail subscribers, while a growing base of institutional clients affirmed the database's stature as the gold standard of its industry.

Revenue for Galleries increased by 6% to 2.7 million USD due to a strong demand for higher-tier membership plans and Auction House Partnerships. Our commitment to mid-size and smaller galleries, an essential yet struggling customer base, is yielding positive results. We are continuously introducing product innovations to make it easier for members to manage and showcase their inventory to a global audience. The design of gallery pages was relaunched in May and will be further improved in August, with several additional updates currently in production.

artnet News continues to thrive as the leading source for exclusive and in-depth information about the art world, attracting high-end advertisers in the process. Total advertising revenue increased by 5% to 2.0 million USD, driven by a growing demand for ad space on the platform. News, which saw a revenue growth of more than 8%, contributes two-thirds of our overall ad sales. The editorial focus on original reporting again led to widely quoted exclusives in the past months: In April, artnet News was first to report that Steve Wynn, the embattled casino mogul, was the auction consignor behind major works by Andy Warhol and Pablo Picasso. The national and international attention generated by articles such as these is strengthening our brand, increasing traffic, and makes the site uniquely attractive to luxury advertisers.

Auctions revenue decreased slightly by 4% to 2.1 million USD as a strategic focus on high-quality artworks and attractive pricing led to a lower overall transaction volume during the reporting period. We remain confident, however, that this strategy will lead to higher sell-through rates, superior customer satisfaction, and growing revenue in the future. The potential of this strategy became apparent in May with the sale of Richard Hambleton's *Jumping Shadow Man* for 108,000 USD, an auction record for the artist at the time. Another Hambleton painting in the six-figure range just sold on artnet Auctions in June, a major sale that underscores the advantages of our current business model. In the case of Hambleton, Auctions was able to quickly respond to surging demand for works by the Canadian-American graffiti artist after his death in October 2017, and brought these works to market more quickly than traditional auction houses.

In addition to launching new and improved products across all segments, we have taken significant steps to upgrade our technology infrastructure through the project FALCON. We strengthened the Development Team and expect their efforts to make artnet faster, nimbler, and more efficient by the project's anticipated completion in 2019. Considering the rapid technological developments in the software industry—which all companies must regularly address—we see a clear need to invest in an infrastructure that will allow us to quickly adapt to technological shifts and build economies of scale. FALCON is an investment in long-term sustainability; with its completion, we will establish a cutting-edge process that will enhance our competitive advantage for years to come.

artnet remains the leading online provider of information, analytics, and auctions for fine art. We already offer clients a much broader product portfolio than our competitors, and are well on our way to introducing even more advanced solutions. The spirit of innovation at artnet prevails as we look forward to ongoing market leadership and growth.

Berlin, August 10, 2018

Yours sincerely,

Jacob Pabst

CEO, artnet AG

Macroeconomic and Industry Conditions

The economies of the world's biggest markets for fine art auctions are growing, although at a diverging pace. While near-term growth momentum is strengthening in the United States, the rates of expansion in China and the United Kingdom are softening. Global growth will still reach 3.9% in 2018 and 2019, according to recent estimates from the International Monetary Fund (IMF). However, risks to the positive outlook are mounting due to rising oil prices, higher interest rates in the United States, geopolitical uncertainties, and escalating trade tensions. Tariff increases by the United States and retaliatory measures by major trading partners like the European Union or China have increased the likelihood of an all-out trade war.

In the United States, GDP grew at an estimated annual rate of 4.1% in the second quarter of 2018 after slowing to a surprisingly low first quarter increase of 2.2%. The rebound in the second quarter, the strongest pace in almost four years, was driven by an uptick in consumer spending, strong exports, and firm business investments. Substantial tax cuts in conjunction with robust private demand will lift output and lower the unemployment rate even further, according to the IMF. Consumer spending accounts for more than two-thirds of economic activity in the United States. After an expansion of 2.4% in 2017, the IMF projects economic growth of 2.9% in 2018 and 2.7% in 2019.

The Chinese economy expanded by 6.8% year-over-year in the first half of 2018. According to the National Bureau of Statistics, the economy remains stable amidst an increasingly complicated domestic and overseas situation. The IMF expects growth in China to moderate from 6.9% in 2017 to 6.6% in 2018 and 6.4% in 2019, as regulatory tightening of its financial sector takes hold and external demand softens.

For the United Kingdom as well as the European region, growth projections for 2018 have been revised down after economic activity softened more than expected during the first quarter. In the United Kingdom, the economy expanded by 1.2% in the first quarter of 2018 as compared to 2017, but has picked up some speed in recent months. The British Chambers of Commerce highlighted uncertainties surrounding the looming exit from the European Union (Brexit) as a critical factor behind this sluggish growth. GDP growth in the United Kingdom is expected to slow to 1.4% in 2018 and recover somewhat to 1.5% in 2019. In 2017, its economy had grown by 1.7% and still showed a certain resilience towards the effects of Brexit. Growth in the European region is projected to slow gradually from 2.4% in 2017 to 2.2% in 2018 and to 1.9% in 2019, according to the IMF.

The highly volatile market for art auctions continued on its path to recovery and was particularly strong in the first half of 2018, despite a weak showing in China. Global auction sales of fine art increased by 22% to 8.2 billion USD compared to the previous year. In total, 194,867 lots were offered at auction, of which 130,975 sold. The global sell-through rate, therefore, remained at a robust 67% in the first half of 2018, in line with 2017. The average price per lot increased by 16% to 62,927 USD, as compared to 2017. In May, Amedeo Modigliani's *Nu couché (sur le coté gauche)* (1917) sold for 157 million USD and became the fourth most expensive work to ever sell at auction. Pablo Picasso's *Young Girl with Basket of Flowers* (1905), part of the art collection of David and Peggy Rockefeller, sold for 115 million USD in the same month, the sixth-highest sum ever paid for a work of art at auction.

The overall growth in auction sales was mainly driven by the United States, artnet's core market. Sales volume grew by 48% to 3.5 billion USD according to the artnet Price Database. In the United Kingdom, sales volume increased by 17% to 1.9 billion USD. China, where auction sales fell by 10% to 1.5 billion USD, dragged the global market down—a low for the Chinese auction market that hasn't been seen since 2010.

Ongoing trade conflicts did not seem to affect the art market directly, but slowing economic activity could cause ripple effects and negatively affect sales in the second half of 2018. In addition, gradually rising interest rates could have a negative effect on asset prices, notably including art.

Results 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. Jay Art is in liquidation as of January 30, 2018.

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 first six months, the average USD/EUR exchange rate was lower than in the same period of the previous year. Therefore, the performance of the reporting currency euro is comparatively lower.

Result of Operations

artnet's total revenue in the first six months of 2018 totaled 10,696,000 USD, an increase of 4% from 2017 (10,308,000 USD), mainly due to significant revenue growth in the Price Database and Galleries segments.

Revenue for the Price Database in the first six months of 2018 increased by 6% to 3,860,000 USD as compared to 2017 (3,631,000 USD). The growth rate in the first and second quarters were uniformly continuous. Last year's redesign of the product page has led to higher conversion rates of visitors to the site, as well as the continued growth of retail subscriptions. At the same time, institutional business grew as a result of stronger outreach efforts for new sales and subscription renewals. The positioning of the product page has been improved, which lead to further increase in revenue.

Gallery Network revenue increased by 6% to 2,732,000 USD in the first six months of 2018, as compared to 2017 (2,568,000 USD). After a solid first quarter, Gallery Network revenue growth in the second quarter slowed somewhat to 3%, as compared to 2017. The increase in revenue marks a clear turnaround for the segment and is due to the strong demand for higher-tier membership plans and Auction House Partnerships. This also follows recent improvements like the Gallery Portal, a content management system that allows galleries to manage and showcase their inventory on the site more easily. Furthermore, in May the Gallery Network launched the first phase of its redesign. The second phase is scheduled for August, which will help support new membership sales and reduce the loss of subscribers.

Advertising revenue in the first six months of 2018 grew by 5% to 1,960,000 USD, as compared to 2017 (1,874,000 USD). In the second quarter of 2018, advertising sales picked up by 9%, as compared to 2017. Advertising revenue from artnet News, which accounts for two-thirds of total ad revenue, increased by 100,000 USD in the first six months of the year. As the world's leading art news site, artnet News attracts an increasing number of campaigns from luxury brands, reaffirming artnet's strategic decision to expand the Sales Team.

artnet Auctions revenue decreased slightly by 4% to 2,144,000 USD in the first six months of 2018, as compared to 2017 (2,234,000 USD) due to lower transaction volumes. In the second quarter of 2018, Auctions revenue recovered and held steady as compared to last year. The team has successfully focused on obtaining high-quality artworks and setting attractive prices to increase the sell-through rate and guarantee customer satisfaction. In addition to a more efficient and simplified sales process, Management sees these efforts as necessary to improve the Group's reputation and increase sales in the future. Several record sales of contemporary artworks resulted from this focus on quality lots: In April, Sally Mann's *Candy Cigarette* sold for 132,000 USD, a world auction record for a print in this size. In a recent *Contemporary Editions* sale, Auctions achieved new records for five works by Robert Longo, David Hockney, Vija Celmins, Alex Katz, and Chuck Close. The *Urban Art* sale saw three records for prints by the popular street artist KAWS. As a result, the average price of lots sold during the first six months of 2018 increased by 21% to 14,700 USD (2017: 12,100 USD). The number of lots sold during the first six months of 2018 and 2017 was 696 and 707, respectively.

Changes in Costs and Results

Gross profit from sales in the first six months of 2018 increased slightly by 1%, or 77,000 USD to 6,470,000 USD, as compared to 2017, as a result of increased revenue and the early positive effects of our investments in personnel and products.

Sales and marketing expenses in the first six months of 2018 increased by 16% or 389,000 USD to 2,763,000 USD, as compared to 2017, as a result of personnel shifts in the Marketing Department and an increase in sales personnel.

General and administrative expenses totaled 2,257,000 USD, an increase of 10% from 2,043,000 USD last year. This increase is mainly due to higher legal and travel expenses.

As anticipated, product development expenses in the first half of the year declined by 27% to 1,255,000 USD, despite additional investments made to the Development Team—these investments were partially capitalized. The Company is upgrading its technological infrastructure with the project FALCON, which will make artnet much more agile, faster, and efficient upon its completion in 2019. The project is the largest undertaking in the Company's history. By investing in state-of-the-art infrastructure, we will be able to quickly adapt to technological changes, build economies of scale, and launch new products more efficiently.

Consolidated earnings in the first six months of 2018 and 2017 totaled 83,000 USD and 299,000 USD, respectively. This decrease is a result of added investments in artnet personnel, the upgrade of the technological infrastructure, and an impairment loss of an intangible asset in Jay Art GmbH following the decision to liquidate the company.

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, 2018. For the period before June 30, 2018, the average exchange rate was 0.827 USD/EUR, as compared to 0.924 USD/EUR in the same period in 2017. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of June 30, 2018, the rate was 0.855 USD/EUR, as compared to 0.833 USD/EUR on December 31, 2017.

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 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 2018 and 2017 totaled 364,000 USD and 741,000 USD, respectively. This change is due to an increase in current assets offset by a slight decrease in current liabilities.

The Group's cash flow from investing activities in the first six months of 2018 and 2017 was negative at -670,000 USD and -275,000 USD, respectively. The negative increase is due to the capitalization of the technological infrastructure upgrade.

The Group's cash flow from financing activities in the first six months of 2018 and 2017 was negative at -12,000 USD and -28,000 USD, respectively.

As of June 30, 2018, cash and cash equivalents amounted to 1,004,000 USD, as compared to 1,328,000 USD on December 31, 2017. The investment in our technological infrastructure is the main cause of the decrease in cash.

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, 2018, the liquidity per share totaled 0.18 USD (0.15 EUR) based on an average of 5,552,986 shares in circulation, as compared to 0.29 USD (0.25 EUR) on June 30, 2017.

Financial Status

Consolidated total assets on June 30, 2018, totaled 7,066,000 USD, a 2% increase from the balance sheet total of 6,902,000 USD on December 31, 2017.

Trade accounts receivables increased by 100,000 USD to 1,559,000 USD, as compared to December 31, 2017. The increase is attributable to the increase in revenue.

Fixed and intangible assets increased by 326,000 USD to 2,277,000 USD, as compared to December 31, 2017. This increase is mainly due to the capitalization of investments in the technological infrastructure in the amount of 605,000 USD, partly offset by depreciation and amortization of purchasing costs of 276,000 USD for computer equipment and software.

Current liabilities have increased by 41,000 USD to 4,655,000 USD since December 31, 2017, mainly due to an increase in deferred revenue and accounts payables.

As of June 30, 2018, the Group's consolidated equity increased by 7% to 2,185,000 USD, as compared to 2,035,000 USD on December 31, 2017, 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, 2017 (March 20, 2018) for the financial statements has not changed materially as compared to the 2017 reporting year. A detailed overview of risks and opportunities can be found in the 2017 Annual Report.

Supplementary Report and Outlook

Supplementary Report

Between the end of the second quarter of 2018 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 Auctions to grow slightly in revenue during the remainder of 2018. While Auctions has not been the revenue-driver it was hoped to be during the first six months of the year, a focus on high-quality artworks and attractive pricing is expected to increase the sell-through rate and customer satisfaction. This will ultimately lead to significantly higher revenue growth, especially as the art market has embraced online-only sales as an efficient and economical method to buy and sell fine art. As higher-priced artworks become more prevalent, artnet Auctions will play an even more critical role, as seen by several record sales for contemporary works and a significant increase in the average price of lots sold in the first half of 2018.

For the Price Database, Management continues to anticipate moderate revenue growth in 2018. The redesigned product pages continue to drive higher conversion rates for retail clients while institutional business grew, thanks to a dedicated outreach for new sales and subscription renewals. Management expects a further expansion of the client base due to these continuing efforts.

For the Galleries segment, Management expects an ongoing turnaround and slight revenue growth in 2018. The demand for higher-tier membership plans rose due to the attractive offerings in the other plans. Further product enhancements that make it easier for members to showcase and manage their inventory on the platform—such as updated member site designs—should lead to a growing number of memberships.

For advertising, Management expects revenue growth for the remainder of the year, as a result of increasing ad sales on artnet News. The clear editorial focus on reporting original and quality news continues to drive traffic to the site, thereby strengthening the brand and making it uniquely attractive to luxury brand campaigns.

Based on the expectations for the individual segments, the Management Board continues to predict an increase in revenue within a range of 22.0 million USD to 23.0 million USD for the 2018 financial year. For income from operations, Management expects an increase in a range of 1.0 million USD to 1.5 million USD, due to investments in personnel, sales and marketing, and product development. For net profit, a lower increase is expected as the positive valuation effect from deferred taxes, which occurred in 2017, should not be repeated.

Berlin, August 10, 2018

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 10, 2018

Jacob Pabst
CEO, artnet AG

Consolidated Financial Statements as of June 30, 2018

artnet AG Consolidated Balance Sheet

As of June 30, 2018

	6/30/2018 USD	12/31/2017 USD	6/30/2018 EUR	12/31/2017 EUR
Assets				
Current Assets				
Cash and Cash Equivalents	1,004,042	1,327,514	858,858	1,106,350
Trade Receivables	1,558,641	1,458,193	1,333,262	1,215,258
Other Current Assets	635,139	525,410	543,298	437,877
Total Current Assets	**3,197,822**	**3,311,117**	**2,735,418**	**2,759,485**
Non-Current Assets				
Property, Plant, and Equipment	350,224	383,530	299,582	319,634
Intangible Assets	1,927,577	1,567,803	1,648,849	1,306,607
Other Non-Current Assets	389,270	438,328	332,982	365,303
Deferred Tax Assets	1,201,422	1,201,422	1,027,696	1,001,265
Total Non-Current Assets	**3,868,493**	**3,591,083**	**3,309,109**	**2,992,809**
Total Assets	**7,066,315**	**6,902,200**	**6,044,527**	**5,752,294**
Equity and Liabilities				
Current Liabilities				
Accounts Payable	666,039	426,347	569,730	355,318
Accrued Expenses and Other Liabilities	972,878	1,268,181	832,200	1,056,902
Provisions	1,046,294	1,073,914	895,000	895,000
Short-Term Liabilities from Finance Leases	11,858	19,731	10,143	16,444
Deferred Revenue	1,958,130	1,826,101	1,674,984	1,521,873
Total Current Liabilities	**4,655,199**	**4,614,274**	**3,982,057**	**3,845,537**
Long-Term Liabilities				
Office Rent Amortization	215,667	238,562	184,482	198,818
Long-Term Liabilities from Finance Leases	10,800	14,761	9,238	12,302
Total Long-Term Liabilities	**226,467**	**253,323**	**193,720**	**211,120**
Total Liabilities	**4,881,666**	**4,867,597**	**4,175,777**	**4,056,657**
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	52,423,972	51,015,723	51,015,723
Accumulated Deficit	(56,569,321)	(57,353,077)	(54,948,860)	(55,644,205)
Current Net Profit	83,028	783,756	68,631	695,345
Foreign Currency Translation	574,699	507,681	366,614	262,132
Total Shareholders' Equity	**2,184,649**	**2,034,603**	**1,868,750**	**1,695,637**
Total Liabilities and Shareholders' Equity	**7,066,315**	**6,902,200**	**6,044,527**	**5,752,294**

artnet AG Consolidated Income Statement

For the Six Months Ended on June 30, 2018

	1/1–6/30/2018 USD	1/1–6/30/2017 USD	1/1–6/30/2018 EUR	1/1–6/30/2017 EUR	4/1–6/30/2018 USD	4/1–6/30/2017 USD	4/1–6/30/2018 EUR	4/1–6/30/2017 EUR
Revenue								
Gallery Network	2,732,310	2,568,463	2,258,500	2,372,872	1,421,193	1,373,873	1,191,567	1,251,963
Price Database	3,859,676	3,630,647	3,190,370	3,354,170	1,944,264	1,835,225	1,631,686	1,669,488
Advertising	1,959,870	1,874,406	1,620,009	1,731,668	1,058,732	970,169	886,700	883,203
artnet Auctions	2,144,022	2,234,259	1,772,227	2,064,118	1,137,342	1,132,350	963,032	1,030,174
Total Revenue	**10,695,878**	**10,307,775**	**8,841,106**	**9,522,828**	**5,561,531**	**5,311,617**	**4,662,985**	**4,834,828**
Cost of Sales	4,226,319	3,915,243	3,493,433	3,617,094	2,035,913	1,966,350	1,710,971	1,788,407
Gross Profit	**6,469,559**	**6,392,532**	**5,347,673**	**5,905,734**	**3,525,618**	**3,345,267**	**2,952,014**	**3,046,421**
Operating Expenses								
Sales and Marketing	2,763,411	2,374,443	2,284,208	2,193,627	1,390,098	1,112,615	1,166,662	1,009,627
General and Administrative	2,257,337	2,043,280	1,865,892	1,887,683	1,034,677	1,043,013	870,942	949,111
Product Development	1,254,532	1,707,267	1,036,984	1,577,257	494,054	892,703	418,138	812,934
Total Operating Expenses	**6,275,280**	**6,124,990**	**5,187,084**	**5,658,567**	**2,918,829**	**3,048,331**	**2,455,742**	**2,771,672**
Operating Income	**194,279**	**267,542**	**160,589**	**247,167**	**606,789**	**296,936**	**496,272**	**274,749**
Interest Expenses	551	162	455	150	263	68	221	62
Interest Income	–	10	–	9	–	–	–	–
Other Income/(Expenses)	(107,039)	49,927	(88,477)	46,125	(158,186)	55,416	(130,098)	51,275
Earnings Before Taxes	**86,689**	**317,317**	**71,657**	**293,151**	**448,340**	**352,284**	**365,953**	**325,962**
Income Taxes	(3,661)	(17,851)	(3,026)	(16,492)	4,539	–	3,647	258
Net Profit	**83,028**	**299,466**	**68,631**	**276,659**	**452,879**	**352,284**	**369,600**	**326,220**
Other Comprehensive Income								
OCI Recycled: Differences from Foreign Currency Translation	67,018	(177,897)	104,482	(284,540)	115,665	(163,734)	187,841	(247,523)
Total Comprehensive Income	**150,046**	**121,569**	**173,113**	**(7,881)**	**568,544**	**188,550**	**557,441**	**78,697**
Result per Share								
Basic and Diluted	0.01	0.05	0.01	0.05	0.08	0.06	0.07	0.06

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

For the Six Months Ended on June 30, 2018

	Common Stock						
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance as of 12/31/2016	**5,631,067**	**5,941,512**	**(269,241)**	**52,423,972**	**(57,353,077)**	**802,949**	**1,546115**
Net Income	–	–	–	–	299,466	(177,897)	121,569
Balance as of 6/30/2017	**5,631,067**	**5,941,512**	**(269,241)**	**52,423,972**	**(57,353,077)**	**625,052**	**1,667,684**
Balance as of 12/31/2017	**5,631,067**	**5,941,512**	**(269,241)**	**52,423,972**	**(56,569,321)**	**507,681**	**2,034,603**
Net Income	–	–	–	–	83,028	67,018	150,046
Balance as of 6/30/2018	**5,631,067**	**5,941,512**	**(269,241)**	**52,423,972**	**(56,486,293)**	**574,699**	**2,184,649**

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

For the Six Months Ended on June 30, 2018

	Common Stock						
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance as of 12/31/2016	**5,631,067**	**5,631,067**	**(264,425)**	**51,015,723**	**(55,644,205)**	**731,112**	**1,469,272**
Net Income	–	–	–	–	276,659	(284,540)	(7,881)
Balance as of 6/30/2017	**5,631,067**	**5,631,067**	**(264,425)**	**51,015,723**	**(55,367,546)**	**446,572**	**1,461,391**
Balance as of 12/31/2017	**5,631,067**	**5,631,067**	**(264,425)**	**51,015,723**	**(54,948,860)**	**262,132**	**1,695,637**
Net Income	–	–	–	–	68,631	104,482	173,113
Balance as of 6/30/2018	**5,631,067**	**5,631,067**	**(264,425)**	**51,015,723**	**(54,880,229)**	**366,614**	**1,868,750**

artnet AG Consolidated Statement of Cash Flows

For the Six Months Ended on June 30, 2018

	1/1– 6/30/2018 USD	1/1– 6/30/2017 USD	1/1– 6/30/2018 EUR	1/1– 6/30/2017 EUR
Cash Flow from Operating Activities				
Net Profit	**83,028**	**299,466**	**68,631**	**276,659**
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities				
Depreciation and Amortization	273,770	200,556	226,296	185,284
Impairments/Write-Offs for Receivables	219,041	180,353	181,056	166,619
Other Non-Cash Transactions	115,191	(204,633)	138,000	(218,636)
Changes in Operating Assets and Liabilities				
Trade Receivables	(319,489)	145,249	(264,086)	134,188
Other Current Assets	(109,729)	(139,759)	(90,701)	(129,116)
Security Deposits	49,058	(4,853)	40,551	(4,483)
Accounts Payable	239,692	102,364	198,127	94,569
Accrued Expenses and Tax Liabilities	(318,198)	49,150	(263,020)	45,407
Deferred Revenue	132,029	113,032	109,134	104,425
Total Adjustments	**281,365**	**441,459**	**275,357**	**378,257**
Cash Flow Provided by Operating Activities	**364,393**	**740,925**	**343,988**	**654,916**
Cash Flow from Investing Activities				
Purchase of Property and Equipment	(61,466)	(28,652)	(52,578)	(25,107)
Purchase and Development of Intangible Assets	(609,824)	(260,291)	(521,643)	(228,093)
Payment for Acquisition of Consolidated Companies	2,124	14,256	1,817	12,493
Cash Flow Used in Investing Activities	**(669,167)**	**(274,687)**	**(572,404)**	**(240,708)**
Cash Flow from Financing Activities				
Repayment of Finance Leases	(11,834)	(27,993)	(9,782)	(25,861)
Cash Flow Used in Financing Activities	**(11,834)**	**(27,993)**	**(9,782)**	**(25,861)**
Effects of Exchange Rate Changes on Cash	**(6,865)**	**53,045**	**(9,294)**	**(39,991)**
Changes in Cash and Cash Equivalents	**(323,472)**	**491,290**	**(247,490)**	**348,357**
Cash and Cash Equivalents—Start of Period	**1,327,514**	**1,110,281**	**1,106,350**	**1,055,100**
Cash and Cash Equivalents—End of Period	**1,004,042**	**1,601,571**	**858,858**	**1,403,457**
Supplemental Disclosures of Cash Flow				
Interest Payments	(551)	(162)	(455)	(150)
Interest Receipts	–	10	–	9

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. Jay Art Gmbh is in liquidation as of January 30, 2018. 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 for sale in the Gallery Network or on artnet Auctions, an online transaction platform.

The consolidated financial statements were authorized for issuance by the CEO on August 10, 2018.

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 §§ 115x, 117w 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 accounting and valuation methods applied to this interim report were generally the same to the most recent annual financial statements. A detailed description of the accounting policies is published in the notes to the 2017 annual consolidated financial statements. The first application of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” had no, or only minor, relevance for accounting and reporting of the artnet Group.

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, 2018 are not necessarily indicative of future results.

The interim financial statements as of June 30, 2018 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, 2018.

Reporting Period

The consolidated financial statements were prepared for the reporting period from January 1, 2018 to June 30, 2018. 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 2018, the long-term intercompany loan remained at 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. In the first six months of 2018, currency exchange effects in the amount of 46,000 EUR were recognized as net investment in other comprehensive income, and decreased the equity.

Currency exchange rates significant to the Group are the conversion 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	6/30/2018	12/31/2017	6/30/2017
Current Rate Period End	0.855	0.833	0.876
Average Rate Period	0.826	0.887	0.924

USD to GBP	6/30/2018	12/31/2017	6/30/2017
Current Rate Period End	0.757	0.741	0.770
Average Rate for the Period	0.727	0.777	0.795

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 134 people.

On June 6, 2017, artnet acquired Jay Art GmbH and its online platform Artusiast. As of January 30, 2018 Jay Art Gmbh is in liquidation.

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, 2018, artnet AG held 78,081 of its own shares, unchanged from the previous year, representing 1.4 % of common stock.

Related-Party Transactions

In accordance to Section 19 of MMVO, the Company has not been notified about transactions made by persons with managerial responsibilities.

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, 2018, based on the most recent corporate planning for the fiscal years 2019 through 2021.

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.

At the beginning of 2018, Management made a decision to change the allocation of direct sales costs. This change affects the Contribution Margin II and is reflected in the updated June 2017 and 2018 calculations.

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, 2018 to June 30, 2018	**Revenue k USD**	**Contribution Margin II k USD**
artnet Galleries	3,230	1,685
artnet Price Database	4,037	2,467
artnet Auctions	2,148	15
artnet News	1,281	(486)
Total	**10,696**	**3,681**

Period January 1, 2017 to June 30, 2017	**Revenue k USD**	**Contribution Margin II k USD**
artnet Galleries	3,082	1,647
artnet Price Database	3,806	2,072
artnet Auctions	2,237	43
artnet News	1,183	(369)
Total	**10,308**	**3,393**

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

Reconcilliation of Segments Contribution Margin II to the Operating Income	**6/30/2018 k USD**	**6/30/2017 k USD**
Contribution Margin II	3,681	3,393
Fix Costs of Sales Expenses Including Depreciation -275,000 USD	1,304	1,092
Fix Costs of General and Administrative Expenses	1,910	1,780
Fix Costs of Product Development Expenses	273	254
Operating Income	194	267

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, 2018 to June 30, 2018	**Revenue in Consolidated Income Statement k USD**	**Allocated Advertising Revenue k USD**	**Revenue by Segment k USD**
Segments			
artnet Galleries	2,732	498	3,230
artnet Price Database	3,860	177	4,037
artnet Auctions	2,144	4	2,148
artnet News	–	1,281	1,281
Allocated Advertising Revenue	1,960	(1,960)	–
Total	**10,696**	**–**	**10,696**

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
Segments			
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)	–
Total	**10,308**	**–**	**10,308**

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:

	1/1–6/30/2018 EUR	1/1–6/30/2017 EUR
Numerator (Earnings): Net income for the first six months	83,028	276,659
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	19,382	–
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,572,368	5,552,986

In 2018, the weighted average exercise price of the stock options granted (4.43 EUR) exceeded the average share price (3.56 EUR), with the exception of stock options granted in 2014 which has an average exercise price of 2.64 EUR. For the stock options issued in 2014, a dilutive effect of 19,382 shares was calculated using the treasury stock method. Diluted and undiluted earnings per share amounted to 0.01 EUR each.

Employees

In the first six months of the 2018 fiscal year, there were 134 full-time employees in the Group, as compared to 116 in the same period of 2017. Additionally, the Group had five part-time employees, as compared to two in the same period last year. In Sales and other departments, the Group had four freelancers, as compared to ten 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 not notified about voting rights as per § 26 WpHG in 2018.

artnet AG
Supervisory Board
Hans Neuendorf, Chairman
Dr. Pascal Decker, Deputy Chairman
Bettina Böhm
Management Board
Jacob Pabst, CEO

Artnet Worldwide Corporation
Jacob Pabst, CEO

artnet UK Ltd.
Jacob Pabst, CEO

Addresses

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

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

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

Investor Relations

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

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

German Securities Code Number

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

Wertpapierkennnummer

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LEI	391200SHGPEDTRIC0X31

Concept and Production
Artnet Worldwide Corporation