

## Six Months Report

**artnet** AG 2/2011 Six Months Report

- 3 artnet AG Interim Group Management Report  
For the Six Months Ended June 30, 2011
- 8 Responsibility Statement
- 9 Consolidated Statement of Financial Position  
As of June 30, 2011 and December 31, 2010
- 10 Consolidated Statement of Comprehensive Income  
For the Six Months Ended June 30, 2011 and 2010,  
and for the Three Months Ended June 30, 2011 and 2010
- 11 Consolidated Statements of Changes in Shareholders' Equity (USD)  
For the Six Months Ended June 30, 2011 and 2010  
Consolidated Statements of Changes in Shareholders' Equity (EUR)  
For the Six Months Ended June 30, 2011 and 2010
- 12 Consolidated Statement of Cash Flows  
For the Six Months Ended June 30, 2011 and 2010
- 13 Notes to the Interim Consolidated Financial Statements  
For the Six Months Ended June 30, 2011
- 21 Authorities, Offices  
Investor Relations, Information on artnet Stock

## artnet AG Interim Group Management Report For the Six Months Ended June 30, 2011

### Business Development

#### Overview of the Business Development for the Six Months Ended June 30, 2011

During the six months ended June 30, 2011 the Company's revenue remained flat in Euro terms with EUR 6,815,000 compared to EUR 6,836,000 in 2010, and increased 5% in USD terms to USD 9,552,000 from USD 9,067,000 in 2010. Considering that large parts of the art market continue to be affected by the recent financial crisis, this sustained growth represents a positive development.

Launched in 2008, *artnet Auctions* is a fast growing segment with revenue increasing EUR 11% (USD 17%) to EUR 1,1097,000 (USD 1,538,000) for the six months ended June 30, 2011 from EUR 989,000 (USD 1,311,000) in the same period of 2010. While *artnet Auctions* have grown at a slower rate in the second quarter of 2011 compared to the first quarter of 2011, the Group's management remains confident that artnet will reap the continued benefits from being the first online art auction provider and the market leader in this segment.

In the six months through June 30, 2011 the *artnet Auctions'* buyers' and sellers' premium averaged 19% (flat to the same period 2010). The average price of an artwork acquired through *artnet Auctions* is about USD 6,800 in 2011, up from USD 5,600 last year.

artnet believes that *artnet Auctions* offer irresistible benefits to consignors and buyers alike, and that artnet will soon be a significant competitor to the established brick and mortar auction houses.

The *artnet Galleries* and the *artnet Price Database* generate approximately 71% of artnet's revenue. Widely subscribed, and information-based, the *artnet Price Database* provide reliable, up-to-the-minute price information, while the *artnet Galleries* signal the availability of inventory worldwide.

*artnet Galleries* revenue was lower by EUR (170,000), (USD (42,000) or EUR (7%) (USD (1%)) due to fewer gallery memberships as compared to the second quarter of 2010. Total *artnet Galleries* memberships have declined from 2,108 at the end of the second quarter 2010 to 2,066 at the end of the second quarter 2011. The net decline in *artnet Galleries* memberships is directly attributable to the financial crisis, as galleries have been cutting expenses. It must be noted that, throughout the crisis, *artnet Galleries* continued to gain new customers. As the economy improves, the Group expects lost customers to return.

*artnet Price Database* revenue declined by EUR (76,000) or EUR (3%) but increased USD 81,000 or USD 2%. The slight decline is the temporary result of a strategic change in pricing implemented in December of 2010.

*artnet Advertising* increased EUR 17% (USD 24%). The Group is fulfilling contracts signed in 2010 with national advertisers such as Bottega Veneta,

Burberry's, Volkswagen. artnet expects advertising revenue to further increase as artnet occupies a niche market that attracts visitors who constitute a particularly desirable target audience for advertisers.

## Results of Operations, Financial Position, and Net Assets

### Earnings

Income from operations decreased by EUR 263,000 (USD 355,000) to a loss of EUR (77,000) [(USD (109,000))] from EUR 186,000 (USD 246,000) in the same period, 2010. The Group incurred additional costs for product development, consulting, and payroll as the Group continues to refine its products offering and to optimize the pricing structure.

Net income decreased by EUR 152,000 (USD 208,000) to a loss of EUR (87,000) [(USD 122,000)] in 2011 from a profit of EUR 65,000 (USD 86,000) in 2010.

Diluted earnings per share were EUR (0.02) (USD (0.02)) compared to EUR 0.01 (USD 0.02) in the same period in 2010.

### Currency Conversion

Currency conversion in the consolidated statement of comprehensive income is based on the average exchange rate for the period ending June 30, 2011 and 2010, respectively. For the second quarter ended 2011, the average rate was 0.713 euro/US dollar compared to 0.754 euro/US dollar for the second quarter ended 2010. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of June 30, 2011, the rate was 0.695 euro/dollar compared to 0.755 on December 31, 2010.

artnet is subject to exchange rate fluctuations because it invoices in euros, US dollars and British pounds, but conducts most of its business in the United States. The Group works to reduce its exposure to exchange rate differences by billing European customers in euros and British customers in British pounds and paying vendors in the same currency with these cash funds.

### Financial Position

Group operating cash flow was EUR 336,000 as of June 30, 2011 as compared to EUR 511,000 as of June 30, 2010.

Group investing cash flow was EUR (18,000) as of June 30, 2011 as compared to EUR (100,000) as of June 30, 2010. The prior year's investing cash flow was to a greater extent affected by investments in new products. In 2011, in some cases, equipment was purchased through finance leases.

The cash flow for financing activities was EUR (84,000) as of June 30, 2011 and EUR (56,000) as of June 30, 2010. The amounts represent payments towards finance leases.

In total, the cash balance increased from EUR 2,698,000 (USD 3,575,000) on December 31, 2010 to EUR 2,738,000 (USD 3,941,000) on June 30, 2011.

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.

Based on the average outstanding shares of 5,552,986, liquidity per share was EUR 0.49 (USD 0.71) on June 30, 2011 compared to EUR 0.49 (USD 0.64) on December 31, 2010.

#### Asset Position

The balance sheet total was EUR 6,643,000 (USD 9,560,000) on June 30, 2011 compared to EUR 7,111,000 (USD 9,424,000) on December 31, 2010, representing a decrease in EUR terms of (7%) (an increase in USD terms of 1%). Trade accounts receivable decreased EUR (158,000) (USD (99,000)) to EUR 973,000, (USD 1,400,000).

Fixed assets decreased by EUR 292,000 (USD 252,000) to EUR 1,187,000 (USD 1,708,000). The Group's fixed assets are primarily in USD. The decrease is the result of continuing depreciation and amortization from prior periods only partially offset by hardware and software purchases for the network infrastructure.

Total current liabilities decreased by EUR (70,000) (increased by USD 206,000) from EUR 2,700,000, (USD 3,578,000) at December 31, 2010 to EUR 2,630,000, (USD 3,784,000).

artnet Group's consolidated equity was EUR 3,932,000, (USD 5,658,000) on June 30, 2011 compared to EUR 4,315,000, (USD 5,718,000) on December 31, 2010.

*artnet Price Database* constitute an intangible asset that has been developed by gathering auction information over the last 20 years. This valuable asset to the Group has not been attributed full earnings recognition on the balance sheet due to accounting rules. Balance sheet assets would be substantially increased if this recognition were allowed by law.

#### Employees

At June 30, 2011 there were 111 full time employees as compared with 104 in the second quarter of 2010. Additionally, the Group employed 11 part-time employees as of June 30, 2011 as compared to 16 in the same period a year ago, and 13 sales and other consultants as compared to 12, as of June 30, 2010.

#### General information and business activities

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

Artnet Worldwide Corporation has two wholly-owned subsidiaries artnet UK Ltd. and artnet France sarl. artnet UK Ltd. provides sales and client support in the United Kingdom. artnet France sarl publishes a magazine online in French on artnet.fr, conducts sales and provides customer service.

With 2 million unique visitors monthly, [artnet.com](#), [artnet.de](#), and [artnet.fr](#) offer the world's most comprehensive art market overview, enabling collectors and art professionals to better navigate the art market by providing timely information about the value of artworks, artists, their galleries, price development, exhibitions, news and reviews.

**artnet Galleries** is comprised of almost 2,100 of the world's most prestigious art galleries and auction houses on five continents. Members of the network are indexed by specialty and location, and represent an aggregate 173,000 works in inventory from 38,000 artists. *artnet Galleries* also offers design and decorative art objects from the 1<sup>st</sup> Century BC to present.

**artnet Price Database** is an updated archive of over 5.5 million illustrated auction records from all of the world's top auction houses, bringing price transparency to a hitherto secretive market. *artnet Price Database* subscribers receive access to current results as well as auction results dating back to 1985. The *artnet Price Database*—both *Fine Art and Design* and *Decorative Art*—is widely subscribed by appraisers, dealers, auctioneers, financiers, and private and government institutions (including the IRS and FBI). Most importantly, it provides an illustrated “blue book” for private collectors with which to appraise the works they own, and measure opportunities at auction or in the dealer market. Dealers and auctioneers also use *artnet* “comps” (comparable sales from *artnet Price Database Fine Art and Design*) to support the sale of important works of art. Of particular significance is the fact that, in an exclusive partnership with Sotheby's, *artnet* comparables are posted on [sothebys.com](#) for sales throughout the United States and Europe.

**artnet Price Database Decorative Art** is comprised of furniture, porcelain, silver, glass, timepieces and other types of applied art.

A derivative of the *artnet Price Database* is the **artnet Market Alert** which informs subscribers by email when artworks by their favorite artists come up at auction, including *artnet Auctions*, or when they are offered by any of the members of *artnet Galleries*.

In the spring of 2008, *artnet* launched *artnet Auctions*. Experienced specialists are commissioned to marshal the voluminous information in the database to establish reserves and estimates for artworks sourced primarily from gallery members. These works are then auctioned on the new platform, [artnet.com/auctions](#).

**artnet Monographs** represent an online art library developed in close collaboration with artists, estates, foundations and galleries. This growing resource of Modern and Contemporary artists' monographs features comprehensive artwork selections and biographies.

#### Subsequent Events

No reportable events of significant importance have occurred after the balance sheet date.

#### Risks of the future development

*artnet* holds the view that the risk structure has not changed since December 31, 2010.

## Outlook

During the first half of the fiscal year 2011 artnet experienced a mixed development across its business segments, which resulted in a revenue deceleration and a small net loss of EUR 87,000 for the reporting period.

While *artnet Auctions* has continued its positive developments with further growth and artnet Advertising has also shown a very satisfying revenue development, both *artnet Galleries* and *artnet Price Database* have experienced a decline in revenue that has offset the positive trend of the other segments.

The primary reason for this development is that the *artnet Galleries* and the *artnet Price Database* services are still affected by the fallout of the financial crisis that started in 2008 and is still weighing on the global art market. The current resurgence of record prices and strong sales volumes in investment grade art does not signal the general wellbeing of the market as a whole. Many art galleries are not doing well at all. Some are giving up and others are cutting back.

We are continuing, however, to add new features to our *artnet Galleries* product and to improve its functionality. It remains the best and least expensive way of communicating and promoting art for sale in galleries. It has growth potential both in terms of the number of gallery clients as well as the revenue per customer and should swing back to higher growth in the near future.

Still we see the highest growth potential for the coming year in our artnet Auctions business, which is growing in fits and starts as can be expected from a completely new business model that does not yet meet with universal approval and love by the conservative and traditional part of the art world.

In July 2011, however, a very significant collection of artworks under the title of *Pop Masterworks* were up for auction, including works by artists such as Andy Warhol, whose *Flowers*, 1978, sold for the price of USD 1,323,000 (Premium), or John Chamberlain's sculpture *Mrs. Yif Nif*, 1986, at an estimated price of USD 3,000,000–3,500,000. Lots such as these are evidence that collectors are beginning to believe in the viability of *artnet Auctions* and are prepared to consign very significant artworks.

Based on the high quality of all our products and our market leadership in web-based art market services, we are confident for the future development of our Company and we confirm that we expect to generate revenue growth in each of our product lines with a net profit for the fiscal year 2011.

Berlin, July 29, 2011



The Chief Executive Officer  
Hans Neuendorf

## 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, and 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 month of the financial year.

Berlin, July 29, 2011



The CEO  
Hans Neuendorf

## artnet AG Consolidated Statement of Financial Position

As of June 30, 2011, and December 31, 2010

|                                                   | 06/30/2011<br>Consolidated<br>USD | 12/31/2010<br>Consolidated<br>USD | 06/30/2011<br>Consolidated<br>EUR | 12/31/2010<br>Consolidated<br>EUR |
|---------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Current Assets</b>                             |                                   |                                   |                                   |                                   |
| Cash and cash equivalents                         | 3,940,682                         | 3,575,208                         | 2,738,380                         | 2,697,852                         |
| Accounts receivable                               | 1,399,910                         | 1,498,519                         | 972,797                           | 1,130,782                         |
| Prepays and other current assets                  | 696,122                           | 601,324                           | 483,735                           | 453,759                           |
| <b>Total Current Assets</b>                       | <b>6,036,714</b>                  | <b>5,675,051</b>                  | <b>4,194,912</b>                  | <b>4,282,393</b>                  |
| <b>Noncurrent Assets</b>                          |                                   |                                   |                                   |                                   |
| Property and equipment                            | 822,667                           | 941,838                           | 571,671                           | 710,711                           |
| Intangible assets                                 | 885,755                           | 1,019,034                         | 615,511                           | 768,963                           |
| Security deposit                                  | 325,920                           | 298,468                           | 226,482                           | 225,224                           |
| Deferred tax asset                                | 1,489,130                         | 1,489,129                         | 1,034,796                         | 1,123,697                         |
| <b>Total noncurrent assets</b>                    | <b>3,523,472</b>                  | <b>3,748,469</b>                  | <b>2,448,460</b>                  | <b>2,828,595</b>                  |
| <b>Total Assets</b>                               | <b>9,560,186</b>                  | <b>9,423,520</b>                  | <b>6,643,372</b>                  | <b>7,110,988</b>                  |
| <b>Liabilities and Shareholders' Equity</b>       |                                   |                                   |                                   |                                   |
| <b>Current Liabilities</b>                        |                                   |                                   |                                   |                                   |
| Accounts payable                                  | 485,049                           | 425,236                           | 337,061                           | 320,883                           |
| Accrued expenses and other liabilities            | 1,186,390                         | 1,301,710                         | 824,422                           | 982,270                           |
| Current income tax liabilities                    | 15,108                            | 0                                 | 10,499                            | 0                                 |
| Finance lease obligation                          | 199,146                           | 201,197                           | 138,387                           | 151,823                           |
| Deferred revenue                                  | 1,898,604                         | 1,649,360                         | 1,319,341                         | 1,244,607                         |
| <b>Total current liabilities</b>                  | <b>3,784,297</b>                  | <b>3,577,503</b>                  | <b>2,629,710</b>                  | <b>2,699,583</b>                  |
| <b>Long Term Liabilities</b>                      |                                   |                                   |                                   |                                   |
| Long term portion of finance lease                | 117,960                           | 128,384                           | 81,970                            | 96,879                            |
| <b>Total Liabilities</b>                          | <b>3,902,257</b>                  | <b>3,705,887</b>                  | <b>2,711,680</b>                  | <b>2,796,462</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                        | 51,948,348                        | 51,833,659                        | 50,641,661                        | 50,559,842                        |
| Accumulated deficit                               | (51,827,976)                      | (52,030,497)                      | (51,514,219)                      | (51,667,124)                      |
| Current net profit/(loss)                         | (122,116)                         | 202,521                           | (87,118)                          | 152,905                           |
| Foreign currency translation                      | (12,597)                          | 39,679                            | (475,273)                         | (97,739)                          |
| <b>Total shareholders' equity</b>                 | <b>5,657,929</b>                  | <b>5,717,633</b>                  | <b>3,931,693</b>                  | <b>4,314,526</b>                  |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>9,560,186</b>                  | <b>9,423,520</b>                  | <b>6,643,372</b>                  | <b>7,110,988</b>                  |

## artnet AG Consolidated Statement of Comprehensive Income

For the Six Months Ended June 30, 2011  
and 2010

For the Three Months Ended June 30, 2011  
and 2010

|                                             | 01/01/–<br>06/30/2011 | 01/01/–<br>06/30/2010 | 01/01/–<br>06/30/2011 | 01/01/–<br>06/30/2010 | 01/04/–<br>06/30/2011 | 01/04/–<br>06/30/2010 | 01/04/–<br>06/30/2011 | 01/04/–<br>06/30/2010 |
|---------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                             | Consolidated<br>USD   | Consolidated<br>USD   | Consolidated<br>EUR   | Consolidated<br>EUR   | Consolidated<br>USD   | Consolidated<br>USD   | Consolidated<br>EUR   | Consolidated<br>EUR   |
| <b>Revenue</b>                              |                       |                       |                       |                       |                       |                       |                       |                       |
| artnet Galleries                            | 3,416,582             | 3,458,850             | 2,437,389             | 2,607,973             | 1,718,445             | 1,738,349             | 1,194,523             | 1,310,715             |
| artnet Price Database                       | 3,375,188             | 3,294,327             | 2,407,859             | 2,483,923             | 1,711,587             | 1,663,016             | 1,190,270             | 1,253,914             |
| artnet Auctions                             | 1,537,707             | 1,311,261             | 1,097,000             | 988,691               | 697,889               | 739,150               | 482,337               | 557,319               |
| artnet Advertising                          | 1,152,608             | 931,906               | 822,271               | 702,657               | 608,545               | 494,538               | 424,071               | 372,882               |
| artnet Magazine                             | 70,144                | 70,274                | 50,041                | 52,986                | 45,177                | 31,630                | 31,768                | 23,849                |
| <b>Total revenue</b>                        | <b>9,552,229</b>      | <b>9,066,618</b>      | <b>6,814,559</b>      | <b>6,836,229</b>      | <b>4,781,644</b>      | <b>4,666,683</b>      | <b>3,322,968</b>      | <b>3,518,678</b>      |
| <b>Cost of sales</b>                        | <b>4,008,521</b>      | <b>3,845,573</b>      | <b>2,859,679</b>      | <b>2,896,562</b>      | <b>2,034,028</b>      | <b>1,924,103</b>      | <b>1,414,547</b>      | <b>1,508,492</b>      |
| <b>Gross Profit</b>                         | <b>5,543,708</b>      | <b>5,221,045</b>      | <b>3,954,880</b>      | <b>3,939,668</b>      | <b>2,747,617</b>      | <b>2,742,580</b>      | <b>1,908,421</b>      | <b>2,010,186</b>      |
| <b>Other Operating Expenses</b>             |                       |                       |                       |                       |                       |                       |                       |                       |
| Selling and marketing                       | 1,454,678             | 1,539,453             | 1,037,767             | 1,163,749             | 677,648               | 801,229               | 469,059               | 546,408               |
| General and administrative                  | 2,686,379             | 2,147,224             | 1,916,462             | 1,619,007             | 1,375,134             | 1,181,410             | 956,762               | 890,783               |
| Product development                         | 1,396,589             | 1,262,990             | 996,326               | 952,294               | 633,804               | 665,685               | 438,044               | 501,927               |
| Non-cash compensation                       | 114,689               | 24,901                | 81,819                | 18,775                | 58,794                | 21,856                | 40,909                | 16,479                |
| <b>Total other operating expenses</b>       | <b>5,652,334</b>      | <b>4,974,568</b>      | <b>4,032,374</b>      | <b>3,753,825</b>      | <b>2,745,380</b>      | <b>2,670,180</b>      | <b>1,904,774</b>      | <b>1,955,597</b>      |
| <b>Profit/(Loss) from Operations</b>        | <b>(108,626)</b>      | <b>246,477</b>        | <b>(77,494)</b>       | <b>185,843</b>        | <b>2,237</b>          | <b>72,400</b>         | <b>3,647</b>          | <b>54,589</b>         |
| <b>Interest Expense</b>                     | <b>(11,602)</b>       | <b>(6,691)</b>        | <b>(8,277)</b>        | <b>(5,045)</b>        | <b>(6,305)</b>        | <b>(3,345)</b>        | <b>(4,400)</b>        | <b>(2,522)</b>        |
| <b>Interest Income</b>                      | <b>10,660</b>         | <b>14,942</b>         | <b>7,605</b>          | <b>11,267</b>         | <b>1,334</b>          | <b>4,018</b>          | <b>779</b>            | <b>3,030</b>          |
| <b>Other Income/(Expense)</b>               | <b>43,145</b>         | <b>(143,741)</b>      | <b>30,780</b>         | <b>(108,380)</b>      | <b>9,968</b>          | <b>(85,368)</b>       | <b>6,498</b>          | <b>(64,367)</b>       |
| <b>Profit/(Loss) Prior to Tax Provision</b> | <b>(66,423)</b>       | <b>110,987</b>        | <b>(47,386)</b>       | <b>83,685</b>         | <b>7,234</b>          | <b>(12,295)</b>       | <b>6,524</b>          | <b>(9,270)</b>        |
| Income taxes                                | (55,693)              | (25,434)              | (39,732)              | (19,178)              | (32,708)              | (9,182)               | (22,909)              | (6,923)               |
| <b>Net Profit/(Loss)</b>                    | <b>(122,116)</b>      | <b>85,553</b>         | <b>(87,118)</b>       | <b>64,507</b>         | <b>(25,474)</b>       | <b>(21,477)</b>       | <b>(16,385)</b>       | <b>(16,193)</b>       |
| <b>Earnings per Share</b>                   |                       |                       |                       |                       |                       |                       |                       |                       |
| Net profit/(loss) per basic share           | (0.02)                | 0.02                  | (0.02)                | 0.01                  | (0.00)                | (0.00)                | (0.00)                | (0.00)                |
| Net profit/(loss) per diluted share         | (0.02)                | 0.02                  | (0.02)                | 0.01                  | (0.00)                | (0.00)                | (0.00)                | (0.00)                |
| <b>Weighted Average Shares</b>              |                       |                       |                       |                       |                       |                       |                       |                       |
| Basic                                       | 5,552,986             | 5,552,986             | 5,552,986             | 5,552,986             | 5,552,986             | 5,552,986             | 5,552,986             | 5,552,986             |
| Diluted                                     | 5,587,986             | 5,552,986             | 5,587,986             | 5,552,986             | 5,587,986             | 5,552,986             | 5,587,986             | 5,552,986             |

## artnet AG Consolidated Statements of Changes in Shareholders' Equity (USD)

For the Six Months Ended June 30, 2011 and 2010

|                                   | Common stock  |           |                            |                |                     |                              | Total     |
|-----------------------------------|---------------|-----------|----------------------------|----------------|---------------------|------------------------------|-----------|
|                                   | Shares issued | Amount    | Additional paid-in-capital | Treasury stock | Accumulated deficit | Foreign currency translation |           |
| Balance December 31, 2009         | 5,631,067     | 5,941,512 | 51,695,464                 | (269,241)      | (52,030,497)        | (84,498)                     | 5,252,740 |
| Total comprehensive income/(loss) |               |           |                            |                | 85,553              | 48,963                       | 134,516   |
| Non-cash compensation             |               |           | 24,901                     |                |                     |                              | 24,901    |
| Balance June 30, 2010             | 5,631,067     | 5,941,512 | 51,720,365                 | (269,241)      | (51,944,944)        | (35,535)                     | 5,412,157 |
| Balance December 31, 2010         | 5,631,067     | 5,941,512 | 51,833,659                 | (269,241)      | (51,827,976)        | 39,679                       | 5,717,633 |
| Total comprehensive income/(loss) |               |           |                            |                | (122,116)           | (52,276)                     | (174,392) |
| Non-cash compensation             |               |           | 114,689                    |                |                     |                              | 114,689   |
| Balance June 30, 2011             | 5,631,067     | 5,941,512 | 51,948,348                 | (269,241)      | (51,950,092)        | (12,597)                     | 5,657,930 |

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

For the Six Months Ended June 30, 2011 and 2010

|                                   | Common stock  |           |                            |                |                     |                              | Total     |
|-----------------------------------|---------------|-----------|----------------------------|----------------|---------------------|------------------------------|-----------|
|                                   | Shares issued | Amount    | Additional paid-in-capital | Treasury stock | Accumulated deficit | Foreign currency translation |           |
| Balance December 31, 2009         | 5,631,067     | 5,631,067 | 50,455,505                 | (264,425)      | (51,667,124)        | (490,186)                    | 3,664,837 |
| Total comprehensive income/(loss) |               |           |                            |                | 64,507              | 686,060                      | 750,567   |
| Non-cash compensation             |               |           | 18,775                     |                |                     |                              | 18,775    |
| Balance June 30, 2010             | 5,631,067     | 5,631,067 | 50,474,280                 | (264,425)      | (51,602,617)        | 195,874                      | 4,434,179 |
| Balance December 31, 2010         | 5,631,067     | 5,631,067 | 50,559,842                 | (264,425)      | (51,514,219)        | (97,739)                     | 4,314,526 |
| Total comprehensive income/(loss) |               |           |                            |                | (87,118)            | (377,534)                    | (464,652) |
| Non-cash compensation             |               |           | 81,819                     |                |                     |                              | 81,819    |
| Balance June 30, 2011             | 5,631,067     | 5,631,067 | 50,641,661                 | (264,425)      | (51,601,337)        | (475,273)                    | 3,931,693 |

## artnet AG Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2011 and 2010

|                                                                                                  | 06/30/2011<br>Consolidated<br>USD | 06/30/2010<br>Consolidated<br>USD | 06/30/2011<br>Consolidated<br>EUR | 06/30/2010<br>Consolidated<br>EUR |
|--------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Cash Flows from Operating Activities</b>                                                      |                                   |                                   |                                   |                                   |
| Net Profit/(Loss)                                                                                | (122,116)                         | 85,553                            | (87,118)                          | 64,507                            |
| Adjustments to Reconcile Net Profit<br>to Net Cash Provided by/(Used in)<br>Operating Activities |                                   |                                   |                                   |                                   |
| Depreciation and amortization                                                                    | 383,443                           | 546,452                           | 273,548                           | 412,024                           |
| Provision for doubtful accounts                                                                  | 64,800                            | 53,484                            | 46,228                            | 40,327                            |
| Non-cash compensation                                                                            | 114,689                           | 24,901                            | 81,819                            | 18,775                            |
| Other non-cash transactions                                                                      | (107,797)                         | 104,336                           | (59,242)                          | 81,696                            |
| <b>Changes in Operating Assets and Liabilities</b>                                               |                                   |                                   |                                   |                                   |
| Accounts receivable                                                                              | 33,809                            | 119,968                           | 24,119                            | 90,456                            |
| Prepaid and other current assets                                                                 | (94,798)                          | (78,274)                          | (67,629)                          | (59,019)                          |
| Security deposits                                                                                | (27,452)                          | 2,151                             | (19,584)                          | 1,622                             |
| Accounts payable                                                                                 | 59,813                            | 72,155                            | 42,671                            | 54,405                            |
| Accrued expenses and tax liabilities                                                             | (100,212)                         | (242,018)                         | (71,770)                          | (182,482)                         |
| Deferred revenue                                                                                 | 249,244                           | (15,606)                          | 173,199                           | (11,767)                          |
| <b>Total Adjustments</b>                                                                         | <b>575,538</b>                    | <b>587,549</b>                    | <b>423,359</b>                    | <b>446,037</b>                    |
| <b>Net Cash Provided by/(Used in)<br/>Operating Activities</b>                                   | <b>453,421</b>                    | <b>673,102</b>                    | <b>336,240</b>                    | <b>510,544</b>                    |
| <b>Cash Flows from Investing Activities</b>                                                      |                                   |                                   |                                   |                                   |
| Purchase of property and equipment                                                               | (25,789)                          | (30,750)                          | (18,398)                          | (23,185)                          |
| Purchase and development of<br>intangible assets                                                 | 0                                 | (101,390)                         | 0                                 | (76,448)                          |
| <b>Net Cash Used in Investing Activities</b>                                                     | <b>(25,789)</b>                   | <b>(132,140)</b>                  | <b>(18,398)</b>                   | <b>(99,633)</b>                   |
| <b>Cash Flows from Financing Activities</b>                                                      |                                   |                                   |                                   |                                   |
| Repayment of financial lease                                                                     | (117,679)                         | (74,493)                          | (83,952)                          | (56,168)                          |
| <b>Net Cash Used in Financing Activities</b>                                                     | <b>(117,679)</b>                  | <b>(74,493)</b>                   | <b>(83,952)</b>                   | <b>(56,168)</b>                   |
| Effects of exchange rate changes on cash                                                         | 55,521                            | (116,132)                         | (193,361)                         | 314,139                           |
| <b>Net Increase/(Decrease)<br/>in Cash and Cash Equivalents</b>                                  | <b>365,474</b>                    | <b>350,337</b>                    | <b>40,529</b>                     | <b>668,882</b>                    |
| Cash – Beginning                                                                                 | 3,575,208                         | 3,140,219                         | 2,697,852                         | 2,190,931                         |
| <b>Cash – Ending</b>                                                                             | <b>3,940,682</b>                  | <b>3,490,556</b>                  | <b>2,738,380</b>                  | <b>2,859,813</b>                  |

## Notes to the Interim Consolidated Financial Statements For the Six Months Ended June 30, 2011

### 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, 10969 Berlin. artnet AG was incorporated under the laws of Germany in 1998.

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

The Group’s business is to provide art collectors, galleries, publishers, auction houses, and art enthusiasts a website where individuals can research artists, view art related news, and find artworks that are currently available at art galleries around the world. Additionally, the Group launched artnet Auctions in 2008, which is a web based trading platform for modern and contemporary fine art, prints and photographs by renowned artists.

The consolidated financial statements were authorized for issuance by the CEO on July 29, 2011.

### Basis of Presentation

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

The following new or revised standards and interpretations became mandatory in fiscal 2011:

| Standards (IFRS) or interpretations (IFRIC) |                                                                                   | Compulsory application in the EU | Adoption by EU Commission |
|---------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------|---------------------------|
| IAS 24*                                     | Related party disclosures                                                         | 1/1/2011                         | 7/19/2010                 |
| IAS 32*                                     | Classification of rights issues                                                   | 1/2/2010                         | 12/23/2009                |
| IFRS 1*                                     | Hyperinflation                                                                    |                                  | —                         |
| IFRS 7*                                     | Improved disclosures on financial instruments                                     | 1/1/2011                         | —                         |
| IFRS 1*/<br>IFRS 7                          | Limited exemption from comparative IFRS 7 /<br>Disclosure for first-time-adopters | 1/7/2010                         | 6/24/2010                 |
| IFRS 8*/<br>IAS 24                          | Operating segments                                                                | 1/1/2011                         | 7/19/2010                 |
| IFRIC 14                                    | Prepayments of a minimum funding requirement                                      | 1/1/2011                         | 7/20/2010                 |

|          |                                                 |          |           |
|----------|-------------------------------------------------|----------|-----------|
| IFRIC 19 | Extinguishing financial liabilities with equity | 1/7/2010 | 7/23/2010 |
|          | Various improvements to IFRS                    | 1/1/2011 | —         |

\*Amendments

The Group does not anticipate that the application of these standards will have a significant impact on the presentation of the interim consolidated financial statements in 2011.

The same accounting and valuation methods have been applied to this interim report as to the most recent annual financial statements except the new or revised standards applicable to interim reports to date. The application of the new or revised standards had no effect to this interim report. A detailed description of the accounting policies is published in the notes to the annual consolidated financial statements 2010.

The Management of the Company is convinced that the consolidated interim financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for the interim period. Results of the periods ended June 30, 2011 are not necessarily indicative for future results.

The interim financial statements as of June 30, 2011 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, 2011.

#### Reporting Period

The consolidated financial statements were prepared for the reporting period January 1 through June 30, 2011. The financial year for all Group companies coincides with the calendar year.

#### Foreign Currency Translation and Transactions

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

The currency of the primary economic environment in which the artnet Group operates is US dollar, which is the functional currency of the operating subsidiary Artnet Corp. Transactions in currencies other than US dollar are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recognized as other income/expense.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. The accumulated gains and losses resulting from translation are recorded as a separate component of the group equity.

Currency exchange rates significant to the artnet Group are the translation of US dollar to euro and of US dollar to British pound (GBP). The following exchange rates have been used for the currency translation in the years presented:

|                           | USD to EUR |            | USD to GBP |            |
|---------------------------|------------|------------|------------|------------|
|                           | 06/30/2011 | 12/31/2010 | 06/30/2011 | 12/31/2010 |
| Current rate year end     | .695       | .755       | .624       | .647       |
| Average rate for the year | .713       | .755       | .619       | .648       |

#### Basis of Consolidation and Consolidated Companies

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

On February 23, 1999 artnet AG entered into a transaction with Artnet Corp., which was treated as a recapitalization of Artnet Corp., with Artnet Corp. as the acquirer of artnet AG (reverse acquisition). The Company accounted for the business combination of artnet AG and Artnet Corp. as a reverse acquisition in accordance with IFRS 3. On November 1, 2007, Artnet Corp. established artnet UK Ltd., which is a wholly owned subsidiary and acts as a sales agent for Artnet Corp. in the United Kingdom. On July 3<sup>rd</sup>, 2008, Artnet Corp. established artnet France sarl, which is a wholly owned subsidiary of Artnet Corp. artnet France sarl. acts as a sales agent for Artnet Corp. in France.

All significant inter-company transactions, balances, income, and expenses are eliminated.

#### Share Capital

##### Conditional Capital-Share Based Payments

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

##### Authorized Capital

The Shareholders' Meeting of artnet AG on July 15, 2009 authorized the Board of Directors, with the approval of the Supervisory Board, to increase the capital stock by up to EUR 2,800,000 before July 14, 2014 through the issue of 2,800,000 new no-par value bearer shares in exchange for cash contributions or contributions in kind (Authorized Capital 2009/I). In 2011 and 2010 no common shares were issued under the Authorized Capital 2009/I.

##### Treasury Shares

As of June 30, 2011 and 2010 artnet AG held 78,081 of its own shares, representing 1.4 % of common stock.

##### Income Taxes

Income tax expense is recognized in the interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Due to its tax loss carryforward, 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 be reviewing the deferred tax asset in the fourth quarter of 2011 based on the most recent budget

### Segment Reporting

The Group reports on the operating segments in the same way it reports operating segment information to the management and Supervisory Board. During the first quarter of 2011, the Group decided to report Magazines as a reportable segment. Previously the French, German, and English Magazines were considered primarily a marketing tool supporting the Groups business activities. Magazine direct expenses are now presented in "Cost of sales."

The new allocation method has been used for both 2010 and 2011 for comparative purposes.

Impact of the reclassification for 2010 is EUR 528,000 (USD 700,000).

The five Group's reportable segments are as follows:

- The *artnet Galleries* segment provides services to galleries by posting the galleries' available works of art online.
- The *artnet Price Database* segment includes the *artnet Price Database Fine Art and Design* and the *artnet Price Database Decorative Art* sales including the imageless search as well as sales generated from the *artnet Market Alert*, the *artnet Market Data Reports* and the *artnet Monographs*.
- The *artnet Auctions* segment provides an online platform to buy and sell artworks.
- The *artnet Advertising* segment produces banner and advertising on the website.
- The *artnet Magazine* segment currently generates advertising revenue but will be developed into a full-fledged business.

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

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

| EUR                                     |                     |                          |                    |                       |                    |           |
|-----------------------------------------|---------------------|--------------------------|--------------------|-----------------------|--------------------|-----------|
| Period ended<br>June 30, 2011           | artnet<br>Galleries | artnet Price<br>Database | artnet<br>Auctions | artnet<br>Advertising | artnet<br>Magazine | Total     |
| Revenue                                 | 2.437.389           | 2.407.859                | 1.097.000          | 822.271               | 50.041             | 6.814.559 |
| Profit/(Loss) prior<br>to tax provision | 177.291             | 412.680                  | (244.150)          | 77.405                | (470.612)          | (47.386)  |
| Period ended<br>June 30, 2010           | artnet<br>Galleries | artnet Price<br>Database | artnet<br>Auctions | artnet<br>Advertising | artnet<br>Magazine | Total     |
| Revenue                                 | 2,607,973           | 2,483,922                | 988,691            | 702,657               | 52,986             | 6,836,229 |
| Profit/(Loss) prior<br>to tax provision | 180,821             | 682,413                  | (334,256)          | 73,216                | (518,509)          | 83,685    |

### Earnings per share

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

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

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

|                                                                                                                               | Period ended<br>06/30/2011 | Period ended<br>06/30/2010 |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
|                                                                                                                               | EUR                        | EUR                        |
| <b>Numerator (Earnings):</b>                                                                                                  |                            |                            |
| Net result for the period retained for equity shareholders                                                                    | (87,118)                   | 64,507                     |
| <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 shares: Stock options                                                                                     | 35,000                     | 0                          |
| Weighted average number of ordinary shares used to calculate dilutive earnings per share                                      | 5,579,986                  | 5,552,986                  |

The weighted average exercise price (EUR 4.85) is less than the average share price in 2011 (EUR 5.44). In consequence, there are 35,000 diluted shares.

### Employees

At June 30, 2011 there were 111 full time employees as compared with 104 in the second quarter of 2010. Additionally, the Group employed 11 part-time employees as of June 30, 2011 as compared to 16 in the previous year's quarter, and 13 sales and other consultants as compared to 12 in the second quarter ended June 30, 2010.

### Accounting Estimates and Assumptions

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 interim consolidated financial statements include the recognition of deferred tax assets and of development costs, the measurement of provisions and accruals, the useful lives of non-current assets and the assessment of bad debt provisions on accounts receivables.

### Notifications in Accordance with § 21 of the Securities Trading Act

Mr. Oliver Schmidt, Düsseldorf, has informed us within the meaning of Section 21 (1) of the WpHG on June 14, 2011, that his voting rights in our company fell below the 3% threshold on June 07, 2011, and that on this date he held 2.92% (164,339 voting rights) of the total of 5,631,067 voting rights.

Pursuant to § 15a of the German Securities Trading Act, artnet was notified on July 12, 2011 that Hannes von Goesseln, a Supervisory Board member, purchased 1,780 shares at an average price of EUR 4.6662 on July 11, 2011.

**Report on Post-Balance Sheet Events**

No reportable events of significant importance have occurred after the balance sheet date.

Berlin, July 29, 2011



The CEO  
Hans Neuendorf

**artnet AG****Supervisory Board**John Hushon, *Chairman*Dr. Christian Dohm, *Deputy Chairman*

Hannes von Goesseln

**Board of Management**Hans Neuendorf, *CEO***Artnet Worldwide Corporation**Hans Neuendorf, *CEO***artnet France sarl**Hans Neuendorf, *Gérant*Gina Kehayoff, *Directrice Générale***Addresses****artnet AG**

Oranienstrasse 164

10969 Berlin

Germany

info@artnet.de

Tel. +49 (0)30 20 91 78 0

Fax +49 (0)30 20 91 78 29

**Artnet Worldwide Corporation**61 Broadway, 23<sup>rd</sup> Floor

New York, NY 10006

USA

info@artnet.com

Tel. +1-212-497-9700

Fax +1-212-497-9707

**artnet France sarl**

5, rue du Chevalier de Saint George

75008 Paris

France

info@artnet.fr

Tel. +33 (0)1 42 86 67 10

Fax +33 (0)1 42 86 10 16

**artnet UK Ltd.**

Morrell House

98 Curtain Road

London EC2A 3AF

United Kingdom

info@artnet.co.uk

Tel. +44 (0)20 7729 0824

Fax +44 (0)20 7033 9077

**Investor Relations**

You can find information for investors and the annual financial statements at [www.artnet.de/ir](http://www.artnet.de/ir).

If you have further queries, please send an e-mail to [ir@artnet.com](mailto:ir@artnet.com) or send your inquiry by mail to one of our offices.

**Information on artnet stock**

The common stock of artnet AG is traded on the Prime Standard of the Frankfurt Stock Exchange under the symbol AYD.

You can find ad-hoc disclosures on relevant company developments at <http://www.artnet.com/about/pressreleases.asp?A=14>.

**German Securities Code Number**

(WKN) 690950

ISIN DE0006909500

**artnet** AG

Oranienstraße 164

10969 Berlin

Germany

T +49 (0)30 20 9178-0

F +49 (0)30 20 9178-29

[info@artnet.de](mailto:info@artnet.de)