

**artnet** AG

Six-Month Report 2020

## Key Financial Figures for the Artnet Group

	6/30/2020	12/31/2019	6/30/2019
Revenue (k USD)	10,426	21,878	10,915
Profit from Operations (k USD)	44	197	680
Earnings Before Tax (k USD)	1,254	5	612
Earnings per Share (USD)	0.22	0	0.11
Weighted Number of Shares (Thousands)	5,553	5,553	5,553
Cash Flow from Operating Activities (k USD)	2,059	1,816	1,162
Staff (Period-end)	111	122	130
Cash and Cash Equivalents (k USD)	1,704	539	896
Equity (k USD)	4,826	3,586	4,172
Total Assets (k USD)	13,237	13,259	12,633

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Jacob Pabst  
CEO, Artnet AG

## Dear Shareholders,

The art world remains in the grip of the coronavirus pandemic. Due to widespread lockdowns and social distancing, many conventional auctions, art fairs and exhibitions are canceled for the foreseeable future. We support our clients by promoting their online visibility and offering a rare opportunity to trade fine art via auctions on the internet. The coronavirus crisis is accelerating the long-overdue digital transformation of the art market and as the market leader in the online art space, Artnet has become more relevant than ever. The number of visitors to Artnet grew overall by 44% to a staggering average of 4.8 million every month in the first half of the year.

While the global auction market declined by around 60% in the first six months of the year, sales at Artnet Auctions, our online-only transaction platform, grew by 13% to more than 12 million USD year-over-year – despite the pandemic-induced market panic in March. In the second quarter, sales volume at Artnet Auctions rose by 46% to 7.6 million USD compared to the previous year. Accordingly, fee-based revenue for Artnet Auctions grew by 12% to 2.4 million USD in first six months and by 46% to 1.5 million USD in the second quarter.

Artnet Auctions has become one of the market's few remaining options to buy and sell art in a fast and cost-effective way. Online transactions, boosted by the crisis, will increasingly become the industry standard. With its unparalleled quick and efficient execution, Artnet Auctions proves to be the auction model for the digital age.

Prints & Multiples and Photographs performed particularly well in the second quarter. Among the highlights were Keith Haring's silkscreen *Retrospect* (1989) which sold for 150k USD in April and Andy Warhol's *Sunset* (1972) which sold for 78k USD in June. In May, sales rose to a new monthly record of 4 million USD – twice the sales volume seen in May of 2019. Top lots included Tom Wesselmann's painting *Blue* (1996) which achieved 288k USD and Eddie Martinez' painting *Clown Amoeba* (2014) which sold for 156k USD.

Gallery Network revenue declined by only 4% to 2.4 million USD, even though galleries suffer heavily from the lockdown and the business interruption. However, we continue to sign new clients. Since the coronavirus hit the US and Europe in March, the number has been growing each month as galleries need to increase their presence on the web. Higher-tier memberships offering more exposure on social media proved particularly attractive. We also introduced the new Artist Alerts, a free tool helping to drive traffic to gallery members. Clients receive customized email updates about favorite artists available in galleries, auction houses, or online sales. Galleries now depend almost entirely on the internet for sales and marketing and

can reach an audience of millions through our Gallery Network. Should this trend continue, it will lead to rising revenues for the segment.

Price Database revenue fell 5% to 3.7 million USD, a robust showing in light of the drastic downturn of the global auction market. The online archive's highly reliable and transparent auction data, essential in times of crisis, continues to be in demand,

Advertising revenue decreased by 20% to 1.9 million USD after a strong start of the year due to lower demand and the postponement of campaigns. As expected, luxury advertisers and art businesses alike cut their marketing budgets in reaction to the economic malaise and the de-facto shutdown of the brick-and-mortar art market. At the same time, the market's need for reliable information continues to grow. Our news platform Artnet News emerged as the primary source of information for the art world, generating more traffic than all other art publications combined. Before the outbreak of the coronavirus, 2020 shaped up to be Artnet's strongest year ever for advertising. In light of the growing number of visitors, particularly on Artnet News, we expect demand to return once the pandemic subsides and the economy recovers.

Total revenue at Artnet decreased slightly by 4% to 10.4 million USD in the first six months year-over-year. Income from operations amounted to 44k USD.

Artnet's position in the industry remains strong despite the crisis. While the pandemic presents economic and health-related challenges, it also expedites the ongoing digital revolution of the art market, a trend we spearheaded since our founding more than three decades ago. Internet and e-commerce play crucial roles during the standstill. The current challenges demand digital solutions, and as the leading online provider of information, analysis and auctions for fine art, we are in a unique position to leverage our tremendous expertise and to benefit from the further digital remaking of the art industry.

Berlin, August 14, 2020

Yours sincerely,

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

Jacob Pabst  
CEO, Artnet AG

## Core Statement

Artnet is the leading online resource for the international art market. Established in 1989, Artnet provides reliable information and market transparency to art collectors. Our comprehensive suite of products includes the Price Database, which offers objective price information, and the Gallery Network, a platform for connecting leading galleries with collectors from around the world.

With 24/7 worldwide bidding, Artnet Auctions was the first online marketplace for buying and selling art. Our auction platform allows for immediate transactions, with seamless flow between sellers, specialists, and collectors. Artnet News is a dedicated 24-hour international art market newswire that informs, engages, and connects the art community through timely articles and insightful opinion pieces.

## Company Development

Artnet AG was formed in 1998 as an information service provider for the art market. It took over Artnet Worldwide Corporation, which was formed in New York in 1989, and moved the Price Database and the Gallery Network online by the mid-1990s.

Artnet has modernized the way people buy, sell, and research art. Its products provide reliable and transparent information used by collectors, gallery owners, museums, and investors, and have become indispensable tools for independent market players. Through Artnet Auctions, Artnet has developed from a pure information service provider to a transaction platform and has further expanded its leading position in the art market.

Artnet has gradually built up its information services and transaction platform around its first product, the Price Database. The database was created as a response to the decentralized art market of the late 1980s. At the time, the market lacked transparency, which was a stumbling block for buyers in particular. The art business had always been international, but it was managed locally in a relatively inefficient market by tens of thousands of geographically disparate art dealers, galleries, auction houses, book publishers, museums, and collectors.

The Price Database provides these local markets with a global standard of comparison, listing fine art, design, and decorative art auction results, including results for more than 370,000 artists and designers. Since 2009, the Price Database Decorative Art has provided results for international antique auctions. Today, the Price Database contains almost 14 million auction results from approximately 1,900 international auction houses, dating back to 1985.

Another pillar of the business is the Gallery Network, which was introduced in 1995. With approximately 1,100 galleries and over 230,000 artworks by more than 22,000 artists from around the globe, this product is the most comprehensive platform for galleries online. The Gallery Network serves dealers and art buyers in equal measure by giving them an overview of the global market and price trends while allowing users to be in direct contact with the gallery.

Created in 2008, Artnet Auctions was the first online platform dedicated to buying and selling art. With fast turnaround and low commissions, Artnet Auctions is available around the clock. Every step of a sale, from selling to placing bids, happens more efficiently and quickly than at traditional brick-and-mortar auction houses.

In 2014, Artnet launched a 24/7 global art newswire: Artnet News. Artnet News is a one-stop platform for the events, trends, and people that shape the art market and global art industry, providing up-to-the-minute analysis and commentary, with the highest possible standards in cultural journalism.

## Company Background

Artnet.com AG was incorporated under the laws of Germany in 1998. In 1999, Management took the Company public on the Neuer Markt of the Frankfurt Stock Exchange. In 2002, Artnet.com AG changed its name to Artnet AG. On October 4, 2002, Artnet AG left the Neuer Markt and was then listed in the General Standard of the Frankfurt Stock Exchange, a segment of the EU-regulated Geregelter Markt. Effective February 1, 2007, Artnet AG is listed in the Prime Standard of the Frankfurt Stock Exchange, the segment with the highest transparency standards. Its principal holding is its wholly-owned subsidiary,

Artnet Worldwide Corporation, a New York corporation that was founded in 1989. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

## Macroeconomic and Industry Conditions

The Covid-19 pandemic caused a synchronized and deep downturn of the global economy in the first six months of the year. Social distancing measures and lockdowns of businesses in reaction to the health crisis resulted in falling consumer demand and economic output. Skyrocketing unemployment shook consumer confidence, and companies cut back on investments in light of declining demand, supply-chain interruptions and the uncertain future.

According to the International Monetary Fund (IMF), first-quarter GDP numbers were generally worse than expected. Preliminary data point to an even more severe contraction in the second quarter despite decisive countermeasures by governments and central banks. Because of these downside surprises and an anticipated slower path to recovery, the IMF lowered its forecast for global economic growth in 2020 to (4.9%) in June. For 2021, the IMF anticipates a sluggish turnaround and 5.4% growth. However, the IMF emphasized the uncertainty of these forecasts in light of the unknown length of the pandemic and required lockdowns.

Among the three largest markets for art auctions, China appears to be an exception. Economic growth in China, which was the first country hit by the outbreak of the novel coronavirus at the start of the year, was slightly positive in the second quarter. Most of the country had reopened by early April. China's economy grew by 3.2% year-over-year from April to June, a robust rebound from a (6.8%) contraction in the first quarter. Since China avoided a recession and is on a growth trajectory for the rest of the year, the IMF projects 1% economic growth in China for 2020.

In the United States, the largest auction market, the economy suffered the sharpest downturn in the second quarter since at least the 1940s. Gross domestic product shrank (9.5%) in second quarter from the first. That drop equals an annualized

pace of (32.9%) according to the Commerce department. The downturn reflected the spring's rise in coronavirus cases, massive job losses, consumer caution and wide-scale shutdowns in April with only a partial recovery through June. The IMF projects a downturn of (8.0%) in 2020 for the United States.

For the United Kingdom, the third-largest art market in the world, the IMF predicts a contraction of (10.2%) as in the Eurozone. Added uncertainties stem from the U.K.'s withdrawal from the E.U. (Brexit). The U.K. entered an 11-month transition period on the end of January which includes negotiations of a new free trade agreement.

Amid the uncertainties of the pandemic, the typically volatile market for art auctions plummeted in the first half of 2020. Total sales value, or aggregate gross sales, dropped across all major regions. According to the Artnet Price Database, global auction sales for fine art fell by 59% – more than half – to 2.9 billion USD in the first half of 2020 compared to a more robust performance of 7.0 billion USD in the first six months of 2019. In the United States, total sales value decreased by 54% to 1.3 billion USD year-over-year. In China, the sales value dropped by 84% to 219 million USD. Sales in the United Kingdom were 52% lower at 686 million USD.

Despite a 29% decrease in both the number of lots offered and the number of lots sold at auction year-over-year, the global sell-through rate remained steady at 65% in the first half of 2020. In total, 172,126 lots were offered at auction in the first half of 2020, of which 112,671 found buyers. The average price per lot decreased by 43% to 25k USD year-over-year. Major auction houses pivoted to online platforms, generating some noteworthy virtual transactions. In June, Sotheby's sold Francis Bacon's *Triptych Inspired by the Oresteia of Aeschylus* (1981) for 85 million USD. Roy Lichtenstein's *White Brushstroke I* (1965) achieved 25 million USD.

Uncertain economic conditions, travel restrictions and regional lockdowns surrounding the global pandemic could dampen sales activity further. Collectors looking to sell are hesitant to offer artworks as the global economies continue to shift, while buyers might find the timing for investing inopportune.

## 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 one wholly-owned subsidiary, Artnet U.K. Ltd.

Artnet generates its revenue primarily in U.S. 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 U.S. dollars. Results in U.S. dollars are more reflective of recent economic developments than presenting in euros.

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

### Result of Operations

Artnet’s total revenue in the first six months of 2020 totaled 10,426k USD, a decrease of 4% compared to 2019 (10,915k USD) and mainly due to lower advertising revenue at Artnet News.

### Price Database

Revenue for the Price Database in the first six months of 2020 was 3,670k USD, a decrease of 185k USD or 5% as compared to the previous year (2019: 3,856k USD). The total auction sales volume slumped 59% to 2.9 billion USD worldwide in the first six months of 2020, as most auctions were cancelled or postponed globally due to lockdowns and social distancing regulations following the coronavirus outbreak. In light of this drastic downturn, demand for data and the number of subscribers decreased somewhat. Still, compared to the severe downturn of worldwide auction sales, Price Database revenue was robust, as reliable auction data remains valuable and sought after also during market corrections. The number of auction results increased to almost 14 million, powering the analytical capabilities of Artnet. The unique quality of the Price Database’s data was underscored with the publication of the

fourth Artnet Intelligence Report titled “Will A.I. Remake the Art Business?” in March 2020, a comprehensive and well-received analysis of current art market trends created in collaboration with Artnet News.

### Gallery Network

Gallery Network revenue decreased by 4% to 2,410k USD in the first six months of 2020, as compared to 2019 (2,505k USD). Given the unparalleled economic downturn, which hit galleries particularly hard, the decrease in revenue is small. Smaller and mid-size galleries, a critical customer base for Artnet, have struggled with high operational costs and a challenging market environment for some time, putting pressure on them even in stable economic conditions. Owing to the current lockdown and cancelled exhibitions, galleries are now shifting their focus towards online exposure, trying to gain more visibility on the internet during the coronavirus crisis. While the number of galleries at the end of June was down by 2% year-over-year, it increased by 2% compared to March, the month in which the Covid-19 outbreak became a full-blown pandemic. The introduction of the new free-of-charge Artist Alerts at the end of May led to a significant increase in traffic and client requests on the websites of gallery members. Subscribers to the Artist Alerts receive customized online notifications when artworks by selected artists become available on the market. By the end of the second quarter, already more than 2,500 customers registered for the new service. The number of visitors to the gallery members’ websites increased by around 50% compared to the previous year.

### Advertising

Advertising revenue in the first six months of 2020 decreased by 20% to 1,923k USD (2019: 2,399k USD), driven by falling demand of luxury advertisers for ad space on Artnet News because of the lockdown. While Artnet News has become a sought-after advertising platform for both luxury brands as well as art-related businesses in the past years, the sharp economic downturn led to severe cuts in clients’ advertising budgets. Still, traffic grew particularly strong during the crisis, underscoring the growing influence of Artnet News and strengthening the



Artnet brand overall. Driven by News, the number of unique users on Artnet rose 44% in the first half of the year. With a sharp editorial focus on quality journalism and original content, Artnet News has become the foremost source of exclusive information and commentary about people and trends shaping the art market. This was evident in the past few months when News reporters covered a wide range of the significant topics de jour, with stories about the first hybrid sales of major auction houses in the social-distancing era, or interviews with Black curators about racial bias in the art world in light of the Black Lives Matter movement. Widely discussed stories included a profile of photographer Anne Geddes and a piece on the controversial resignation of curator Gary Garrels from the San Francisco Museum of Modern Art. Artnet News also continued the successful Art Angle podcast which included interviews with artists on the front lines of recent protests.

### Auctions

Artnet Auctions fee-based revenue increased significantly by 12% to 2,423k USD in the first six months of 2020, as compared to 2019 (2,155k USD). Despite the tremendous volatility in both the art market and the economy as a whole, the second quarter was the strongest in Artnet Auctions' history as the online-only platform emerged as one of the few remaining options to buy and sell fine art during the lockdown. The profitability of the segment also increased significantly due to the increase in revenue. A continued strategic focus on high-quality offerings with attractive pricing ensured high average prices and a slight increase in sell-through rates. The average price of lots sold during the first six months of 2020 decreased slightly by 4% to 14.5k USD (2019: 15.1k USD). Prints & Multiples, as well as Photography, performed particularly well. Highlights included Keith Haring's silkscreen *Retrospect* (1989) which sold for 150k USD in April and Andy Warhol's *Sunset* (1972) which achieved 78k USD in June. In May, the Post-War & Contemporary Art sale set a new revenue record for a single auction at Artnet. Several lots in the six-figure range were sold including Tom Wesselmann's painting *Blue* (1996) which sold for 288k USD. With total sales of 4 million USD, May set a new monthly record at Artnet Auctions.

### Changes in Costs and Results

Gross profit from sales in the first six months of 2020 fell by 9%, or 620k USD to 6,405k USD, as compared to 2019, as a result of decreased revenue from advertising and increased costs at Artnet Auctions and for network administration.

Sales and marketing expenses in the first six months of 2020 decreased by 5% or 144k USD to 3,001k USD, as compared to 2019, mainly due to the lower personnel costs in Marketing and Sales.

General and administrative expenses totaled 2,203k USD, a decline of 7% from 2,373k USD last year. The decrease was mainly due to a reduction of Travel & Entertainment, a consequence of the pandemic-induced lockdown and social distancing.

Product development expenses in the first half of the year increased by 40% to 1,157k USD, mainly due to expenses that were not capitalized. The Company has been upgrading its technological infrastructure with the project FALCON, which will make Artnet much more agile, faster, and efficient upon its completion. The project is the most significant undertaking in the Company's history. By investing in state-of-the-art infrastructure, Artnet will be able to quickly adapt to technological changes, build economies of scale, and launch new products much more efficiently. However, in the first half of this year, Artnet partly shifted its focus to non-FALCON projects to support and serve clients during the Covid-19 pandemic – like the new Artist Alerts. Development costs related to FALCON were capitalized. Costs related to non-FALCON projects were expensed, which led to an increase in costs for Product Development. The development costs for FALCON, which were simultaneously capitalized as an intangible asset, amounted to 514k USD in the first half of 2020.

As a result, operating income decreased by 94% to 44k USD, as compared to the previous year (2019: 680k USD).

Consolidated earnings before income taxes in the first six months of 2020 and 2019 totaled 1,254k USD and 612k USD, respectively. The increase was mainly due to a - under certain conditions - forgivable loan of 1,667k USD granted by the U.S. Small Business Administration as a measure to support businesses during the recession and to the reduction of a

legal provision. The exact forgivable amount is still unknown. However, management expects with reasonable certainty that at least 90% of the nominal amount of this loan will not have to be repaid. Therefore, the part of the loan which had already been used and which fulfilled the conditions for the forgiveness of the loan was recognized as "Other Income". As of June 2020, approximately 1,194k USD has been used and the remaining 473k USD were expected to be used in July. Accordingly, the forgivable amount of 1,075k USD, which was the 90% of funds used, was recognized as Other Income. In addition, the provision for a lawsuit in the amount of 215k USD was reversed as a settlement was reached with the plaintiff.

Since Artnet Corp. is only subject to minimum taxation in the USA due to loss carryforwards, the net profit in the amount of 1,246k USD is only slightly lower than earnings before income taxes.

#### 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, 2020. For the period before June 30, 2020, the average exchange rate was 0.908 USD/EUR, as compared to 0.885 USD/EUR in the same period in 2019. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of June 30, 2020, the rate was 0.890 USD/EUR, as compared to 0.891 USD/EUR on December 31, 2019.

Artnet is subject to exchange rate fluctuations because it invoices in euros, U.S. 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 2020 and 2019 totaled 2,059k USD and 1,162k USD, respectively. The increase was mainly due to a loan of 1,667k USD granted by the U.S. Small Business Administration in May 2020 and was partially offset by the lower operating income and a legal settlement in June.

The Group's cash flow from investing activities in the first six months of 2020 and 2019 was negative at (524)k USD and (758)k USD, respectively. The lower cash outflow was due to the shifting focus from FALCON to non-FALCON projects.

The Group's cash flow from financing activities in the first six months of 2020 and 2019 was (364k) USD and (463)k USD, respectively. The slightly lower cash outflow was mainly due to the loans received at the turn of the year 2019/2020 totaling 450k USD. The loans were taken out as a result of unusually late payments by customers to prevent possible further delays and to ensure financial stability. The loans were repaid in July at 466k USD, as the cash flow improved in the course of a better than expected overall performance of the company.

As of June 30, 2020, cash and cash equivalents amounted to 1,704k USD, as compared to 896k USD on June 30, 2019. Cash and cash equivalents increased because of improved collections from luxury and auctions clients. Also, cash and cash equivalents rose due to the funds received from the Small Business Administration and the loans.

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, 2020, the liquidity per share totaled 0.31 USD (0.27 EUR) based on an average of 5,552,986 shares in circulation, as compared to 0.16 USD (0.14 EUR) on June 30, 2019.

#### Financial Status

Consolidated total assets on June 30, 2020, totaled 13,237k USD, slightly lower compared with the balance sheet total of 13,259k USD on December 31, 2019.

Trade accounts receivables decreased by 927k USD to 1,579k

USD, as compared to December 31, 2019. The decrease was attributable to improved collections from luxury advertising clients as well as Artnet Auctions clients and also to the lower luxury advertising revenue.

Property, Plant and Equipment decreased by 577k USD to 3,310k USD, as compared to December 31, 2019, mainly due to the applicable right-of-use asset depreciation after the adoption of IFRS 16.

Intangible assets increased by 349k USD to 3,863k USD, as compared to December 31, 2019. This increase was mainly due to the capitalization of investments in the technological infrastructure (FALCON) in the amount of 514k USD, partly offset by amortization of 165k USD.

Current liabilities have decreased by 1,110k USD to 5,827k USD since December 31, 2019, mainly due to a partly paid and partly dissolved legal provision settled in June. Trade payables and accrued expenses also decreased as Travel & Entertainment was eliminated due to the Covid-19 pandemic.

As of June 30, 2020, the Group's consolidated equity increased by 35% to 4,826k USD, as compared to 3,586k USD on December 31, 2019, due to the forgivable part of the loan granted by the Small Business Administration that is recognized under Other Income.

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 to full earnings recognition on the balance sheet due to accounting rules, and the balance sheet assets and the Group's consolidated equity would substantially increase if the law allowed this recognition.

## Risks and Opportunities

The risk situation dated December 31, 2019 (June 26, 2020) for the financial statements has not changed materially as compared to the 2019 reporting year. A detailed overview of risks and opportunities can be found in the 2019 Annual Report.

## Subsequent Report and Outlook

### Subsequent Report

Between the end of the second quarter of 2020 and the date of this report, no significant events occurred that affect the Company's financial performance and fiscal situation mentioned in the Risk and Opportunity Report as well as the Subsequent Report of the 2019 Annual 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.

In light of the global spread of the coronavirus and the drastic measures taken to contain infections, the International Monetary Fund (IMF) expects global economic activity to decline by (4.9%) in 2020. The anticipated downturn in the United States, Artnet's core market, is even more significant at (8%), reflecting massive job losses and shut-downs of businesses. The lockdown has also severely restricted the global art market as major art fairs, and conventional brick-and-mortar auctions were canceled.

In 2020, Artnet is likely to maintain its leading position in a highly competitive market due to its digital business model. However, Management expects a decline in sales due to the challenging and highly uncertain economic environment.

Competitive advantages regarding data, customers and web traffic will continue to support Artnet. Price Database data remains in demand for the valuation of artworks even in times of crisis. Artnet Auctions' fee-based revenue could further increase as online sales became a compelling alternative to traditional, physical auctions. However, the economic downturn is likely to cause an overall decline in advertising revenues as well as falling membership revenue in the Gallery Network.

Artnet Auctions' fee-based revenue increased significantly in the first half of 2020 since the online-only platform offers one

of the few remaining options to buy and sell fine art during the lockdown. The coronavirus crisis is accelerating the digital transformation of the art market, and Auctions stands to benefit from this trend particularly. During the crisis, the acceptance of online-only sales for fine art could grow further as online auctions are an essential solution for the market. Top lots at Artnet Auctions already sell for six-figure dollar amounts and Auctions will play an even more critical role in the art world when the auctioning of higher-priced works of art over the internet becomes more widespread. With this in mind, Artnet Auctions has placed a strategic focus on high-quality artworks at attractive prices to increase average lot prices, sell-through rates and customer satisfaction. However, due to the economic crisis, Management anticipates that Auctions revenue in 2020 will grow only slightly compared to the previous year.

Artnet News has become the leading online platform for news and commentary on the art market. The editorial focus on quality and original reporting resulted in rising visitor numbers and – until the coronavirus outbreak at the beginning of 2020 – also in growing advertising revenue. New products such as the biannual Intelligence Reports leverage Artnet’s data and analytical resources. The success and high brand recognition of Artnet News has a positive effect on all Artnet products. This is apparent during the crisis, as market participants turn to Artnet News as the most important source of information about current events. Management expects this positive trend to continue, but still forecasts a significant decline in Artnet News revenue in 2020, as advertisers’ budgets will likely shrink during the recession. Once the pandemic subsides and the economy recovers, Management expects a healthy return of demand for advertising space on Artnet News due to the higher traffic.

For the Price Database, Management expects revenue to remain unchanged in 2020. Even though fewer sales are taking place worldwide, the auction data of the Price Database remains essential for the valuation of artworks.

For the Galleries segment, Management expects membership numbers to decline in 2020, due to the ongoing economic struggle of smaller and mid-sized galleries exacerbated by

the coronavirus outbreak. On the other hand, membership in the Artnet Gallery Network offers galleries additional opportunities to showcase their artists and artworks to a global online audience. Higher-tier memberships that feature an increased presence on social media were sought-after in the second quarter. Overall, however, management expects a moderate decline in revenues for the Gallery Network in 2020.

Based on the expectations for the individual segments, Management predicts a decline in total revenues for 2020 to a range of 20.0 million USD to USD 21.0 million USD (18.2 million EUR to 19.1 million EUR at an estimated exchange rate of 1.10 EUR/USD). Management expects the income from operations to decline to (0.5) million USD to (1.0) million USD [(0.5) million EUR to (0.9) million EUR].

Due to the uncertain economic outlook and the coronavirus pandemic, Management considers this conservative forecast to be appropriate at this point. A significantly more positive outcome is possible. This possibility was confirmed by much better-than-expected results in the second quarter of 2020. Artnet Auctions reported its highest quarterly revenue since the platform was launched in 2008. Interest in Gallery Network memberships increased, and Artnet experienced strong growth in visitor numbers due to the popularity of Artnet News.

Due to the loans granted in 2020, cash and cash equivalents should increase significantly compared to the status on December 31, 2019, despite the settlement of the legal dispute.

Berlin, August 14, 2020



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 14, 2020

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

Jacob Pabst  
CEO, Artnet AG



## artnet AG Consolidated Balance Sheet

As of June 30, 2020

	6/30/2020 USD	12/31/2019 USD	6/30/2020 EUR	12/31/2019 EUR
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	1,703,648	539,319	1,516,417	480,371
Accounts Receivable	1,579,246	2,506,307	1,405,687	2,232,369
Other Current Assets	944,783	970,604	840,951	864,517
<b>Total Current Assets</b>	<b>4,227,677</b>	<b>4,016,230</b>	<b>3,763,055</b>	<b>3,577,257</b>
<b>Non-Current Assets</b>				
Property, Plant, and Equipment	3,310,461	3,887,758	2,946,641	3,462,826
Intangible Assets	3,863,447	3,514,797	3,438,854	3,130,630
Security Deposits	418,097	423,116	372,148	376,869
Deferred Tax Assets	1,417,544	1,417,544	1,261,756	1,262,606
<b>Total Non-Current Assets</b>	<b>9,009,549</b>	<b>9,243,215</b>	<b>8,019,399</b>	<b>8,232,931</b>
<b>Total Assets</b>	<b>13,237,226</b>	<b>13,259,445</b>	<b>11,782,454</b>	<b>11,810,188</b>
<b>Equity and Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	799,304	1,034,505	711,460	921,435
Accrued Expenses and Other Liabilities	1,215,129	1,454,317	1,081,586	1,295,360
Provisions	–	1,117,054	–	994,960
Liabilities from Finance Leases – Short Term	1,176,468	1,180,467	1,047,174	1,051,442
Deferred Revenue	2,185,810	2,150,531	1,945,589	1,915,478
Loans	450,000	–	400,545	–
<b>Total Current Liabilities</b>	<b>5,826,711</b>	<b>6,936,874</b>	<b>5,186,354</b>	<b>6,178,675</b>
<b>Long-Term Liabilities</b>				
Liabilities from Finance Leases – Long Term	1,992,716	2,536,257	1,773,717	2,259,044
Loans	592,154	200,000	527,076	178,140
<b>Total Long-Term Liabilities</b>	<b>2,584,870</b>	<b>2,736,257</b>	<b>2,300,793</b>	<b>2,437,184</b>
<b>Total Liabilities</b>	<b>8,411,581</b>	<b>9,673,131</b>	<b>7,487,147</b>	<b>8,615,859</b>
<b>Shareholders' Equity</b>				
Common Stock	5,941,512	5,941,512	5,631,067	5,631,067
Treasury Stock	(269,241)	(269,241)	(264,425)	(264,425)
Additional Paid-In Capital	52,423,972	52,423,972	51,015,723	51,015,723
Accumulated Deficit	(55,145,288)	(55,144,569)	(53,736,962)	(53,736,321)
Current Net Profit	1,245,666	(719)	1,130,714	(641)
Foreign Currency Translation	629,024	635,359	519,190	548,926
<b>Total Shareholders' Equity</b>	<b>4,825,645</b>	<b>3,586,314</b>	<b>4,295,307</b>	<b>3,194,329</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>13,237,226</b>	<b>13,259,445</b>	<b>11,782,454</b>	<b>11,810,188</b>

**artnet AG Consolidated Income Statement**

For the Period from January 1 to June 30, 2020

	1/1/2020– 6/30/2020 USD	1/1/2019– 6/30/2019 USD	1/1/2020– 6/30/2020 EUR	1/1/2019– 6/30/2019 EUR	4/1/2020– 6/30/2020 USD	4/1/2019– 6/30/2019 USD	4/1/2020– 6/30/2020 EUR	4/1/2019– 6/30/2019 EUR
<b>Revenue</b>								
Gallery Network	2,409,628	2,505,156	2,187,268	2,217,653	1,174,759	1,289,986	1,067,087	1,147,439
Price Database	3,670,468	3,855,966	3,331,758	3,413,437	1,784,238	1,943,301	1,620,711	1,728,932
Advertising	1,922,575	2,399,119	1,745,160	2,123,785	826,647	1,391,973	751,016	1,236,780
Artnet Auctions	2,423,493	2,155,133	2,199,854	1,907,800	1,501,207	1,026,685	1,363,225	913,963
<b>Total Revenue</b>	<b>10,426,164</b>	<b>10,915,374</b>	<b>9,464,040</b>	<b>9,662,675</b>	<b>5,286,851</b>	<b>5,651,945</b>	<b>4,802,039</b>	<b>5,027,114</b>
Cost of Sales	4,021,334	3,890,739	3,650,247	3,444,220	1,994,893	1,875,213	1,812,011	1,669,124
<b>Gross Profit</b>	<b>6,404,830</b>	<b>7,024,635</b>	<b>5,813,793</b>	<b>6,218,455</b>	<b>3,291,958</b>	<b>3,776,732</b>	<b>2,990,028</b>	<b>3,357,990</b>
<b>Operating Expenses</b>								
Sales and Marketing	3,000,754	3,144,887	2,723,845	2,783,965	1,418,233	1,587,625	1,288,300	1,412,467
General and Administrative	2,202,622	2,373,281	1,999,365	2,100,912	963,431	1,118,893	875,264	996,159
Product Development	1,157,247	826,817	1,050,457	731,928	584,759	391,644	531,139	348,666
<b>Total Operating Expenses</b>	<b>6,360,623</b>	<b>6,344,985</b>	<b>5,773,667</b>	<b>5,616,805</b>	<b>2,966,423</b>	<b>3,098,162</b>	<b>2,694,703</b>	<b>2,757,292</b>
<b>Operating Income</b>	<b>44,207</b>	<b>679,650</b>	<b>40,126</b>	<b>601,650</b>	<b>325,535</b>	<b>678,570</b>	<b>295,325</b>	<b>600,698</b>
Interest Expenses	66,582	62,570	60,438	55,389	34,042	30,450	30,920	27,101
Other Income/(Expenses)	1,276,312	(4,867)	1,158,534	(4,308)	1,293,072	5,633	1,173,737	4,939
<b>Earnings Before Taxes</b>	<b>1,253,937</b>	<b>612,213</b>	<b>1,138,222</b>	<b>541,953</b>	<b>1,584,565</b>	<b>653,753</b>	<b>1,438,142</b>	<b>578,536</b>
Income Taxes	(8,271)	(6,532)	(7,508)	(5,782)	(13,308)	(5,045)	(12,077)	(4,472)
<b>Net Profit</b>	<b>1,245,666</b>	<b>605,681</b>	<b>1,130,714</b>	<b>536,171</b>	<b>1,571,257</b>	<b>648,708</b>	<b>1,426,065</b>	<b>574,064</b>
<b>Other Comprehensive Income</b>								
OCI Recycled: Differences from Foreign Currency Translation	(6,335)	2,413	(29,736)	20,897	195,868	(24,069)	94,858	(63,941)
<b>Total Comprehensive Income</b>	<b>1,239,331</b>	<b>608,094</b>	<b>1,100,978</b>	<b>557,068</b>	<b>1,767,125</b>	<b>624,639</b>	<b>1,520,923</b>	<b>510,123</b>
<b>Result per Share</b>								
Basic and Diluted	0.22	0.11	0.20	0.10	0.28	0.12	0.26	0.10



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

For the Period from January 1 to June 30, 2020

Common Stock							
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
<b>Balance as of 12/31/2018</b>	<b>5,631,067</b>	<b>5,941,512</b>	<b>(269,241)</b>	<b>52,423,972</b>	<b>(55,337,341)</b>	<b>612,108</b>	<b>3,371,010</b>
Net Income/(Loss)	-	-	-	-	605,681	2,413	608,094
Right of Use Asset	-	-	-	-	192,772	-	192,772
<b>Balance as of 6/30/2019</b>	<b>5,631,067</b>	<b>5,941,512</b>	<b>(269,241)</b>	<b>52,423,972</b>	<b>(54,538,888)</b>	<b>614,521</b>	<b>4,171,876</b>
<b>Balance as of 12/31/2019</b>	<b>5,631,067</b>	<b>5,941,512</b>	<b>(269,241)</b>	<b>52,423,972</b>	<b>(55,145,288)</b>	<b>635,359</b>	<b>3,586,314</b>
Net Income/(Loss)	-	-	-	-	1,245,666	6,335	1,239,331
<b>Balance as of 6/30/2020</b>	<b>5,631,067</b>	<b>5,941,512</b>	<b>(269,241)</b>	<b>52,423,972</b>	<b>(53,899,622)</b>	<b>629,024</b>	<b>4,825,645</b>

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

For the Period from January 1 to June 30, 2020

Common Stock							
	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
<b>Balance as of 12/31/2018</b>	<b>5,631,067</b>	<b>5,631,067</b>	<b>(264,425)</b>	<b>51,015,723</b>	<b>(53,904,592)</b>	<b>464,782</b>	<b>2,942,555</b>
Net Income/(Loss)	-	-	-	-	537,443	20,897	558,340
Right of Use Asset	-	-	-	-	168,271	-	168,271
<b>Balance as of 6/30/2019</b>	<b>5,631,067</b>	<b>5,631,067</b>	<b>(264,425)</b>	<b>51,015,723</b>	<b>(53,198,878)</b>	<b>485,279</b>	<b>3,669,166</b>
<b>Balance as of 12/31/2019</b>	<b>5,631,067</b>	<b>5,631,067</b>	<b>(264,425)</b>	<b>51,015,723</b>	<b>(53,736,962)</b>	<b>548,926</b>	<b>3,194,329</b>
Net Income/(Loss)	-	-	-	-	1,130,714	(29,736)	1,100,978
<b>Balance as of 6/30/2020</b>	<b>5,631,067</b>	<b>5,631,067</b>	<b>(264,425)</b>	<b>51,015,723</b>	<b>(52,606,248)</b>	<b>519,190</b>	<b>4,295,307</b>

**artnet AG Consolidated Statement of Cash Flows**

For the Period from January 1 to June 30, 2020

Cash Flow from Operating Activities	6/30/2020 USD	6/30/2019 USD	6/30/2020 EUR	6/30/2019 EUR
<b>Net Profit</b>	<b>1,245,666</b>	<b>605,681</b>	<b>1,130,714</b>	<b>536,171</b>
<b>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</b>				
Depreciation and Amortization	752,600	761,536	669,889	674,138
Impairments/Write-Offs for Receivables	248,070	245,795	220,807	217,586
Changes in Deferred Tax Assets	-	-	850	-
Other Non-Cash Transactions	(547,304)	(2,856)	(494,960)	(2,528)
<b>Changes in Operating Assets and Liabilities</b>				
Trade Receivables	678,991	120,308	605,875	106,501
Other Current Assets	25,821	(108,860)	23,566	(96,367)
Security Deposits	5,019	420	4,721	372
Accounts Payable	(235,201)	(126,600)	(209,975)	(112,071)
Provisions	(569,751)	-	(500,000)	-
Accrued Expenses and Tax Liabilities	(239,188)	(422,733)	(213,774)	(374,218)
Deferred Revenue	35,279	89,431	30,111	79,167
Interest Expenses	66,582	-	60,438	-
U.S. Paycheck Protection Program Proceeds	592,154	-	527,076	-
<b>Total Adjustments</b>	<b>813,074</b>	<b>556,442</b>	<b>724,625</b>	<b>492,581</b>
<b>Cash Flow Provided by Operating Activities</b>	<b>2,058,740</b>	<b>1,162,123</b>	<b>1,855,339</b>	<b>1,028,752</b>
<b>Cash Flow from Investing Activities</b>				
Purchase of Property and Equipment	(9,875)	(30,804)	(493,612)	(27,092)
Purchase and Development of Intangible Assets	(514,078)	(727,335)	(455,471)	(639,691)
<b>Cash Flow Used in Investing Activities</b>	<b>(523,953)</b>	<b>(758,139)</b>	<b>(949,083)</b>	<b>(666,783)</b>
<b>Cash Flow from Financing Activities</b>				
Repayment of Finance Leases	(547,540)	(463,063)	(2,440)	(409,919)
Loans	250,000	-	222,405	-
Interest for Leases	(66,582)	-	(60,438)	-
<b>Cash Flow Used in Financing Activities</b>	<b>(364,122)</b>	<b>(463,063)</b>	<b>159,526</b>	<b>(409,919)</b>
<b>Effects of Exchange Rate Changes on Cash</b>	<b>(6,335)</b>	<b>(2,068)</b>	<b>(29,736)</b>	<b>486</b>
<b>Changes in Cash and Cash Equivalents</b>	<b>1,164,329</b>	<b>(61,147)</b>	<b>1,036,046</b>	<b>(47,464)</b>
<b>Cash and Cash Equivalents—Start of Year</b>	<b>539,319</b>	<b>956,669</b>	<b>480,371</b>	<b>835,076</b>
<b>Cash and Cash Equivalents—End of Year</b>	<b>1,703,648</b>	<b>895,522</b>	<b>1,516,417</b>	<b>787,612</b>
<b>Supplemental Disclosures of Cash Flow</b>				
Income Tax Receipts/(Payments)	-	-	-	-
Interest Payments	(66,582)	(62,570)	(60,438)	(55,389)
Interest Receipts	-	-	-	-

## 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. The company is registered under the number HRB 980060 B in the commercial register of the district court of Charlottenburg.

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 U.K. Ltd. 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 interim consolidated financial statements were authorized for issuance by the CEO on August 14, 2020.

### 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 E.U. In particular, they correspond to the “Interim Financial Reporting” guidelines of IAS 34. They also comply with the German Accounting Standard (DRS) 16 on half-year reporting, as well as with §§ 115, 117 of the Securities Trading Act. These financial statements do not include all of the information and notes 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 as to the most recent annual financial statements. A detailed description of the accounting

policies is published in the notes to the 2019 annual consolidated financial statements.

The Management of the Company is confident 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, 2020, are not necessarily indicative of future results.

The interim financial statements as of June 30, 2020 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, 2020.

### Reporting Period

The consolidated financial statements were prepared for the reporting period from January 1, 2020, to June 30, 2020. 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 U.S. dollars, which is the functional currency of the operating subsidiary Artnet Corp. Transactions in currencies other than U.S. 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 2020, the long-term intercompany loan remained at 1.5 million EUR. A settlement for this loan is neither planned nor likely to occur in the foreseeable future. The intercompany loan qualifies as a net investment, according to IAS 21.15. Accordingly, exchange differences on the euro-validating loan will be recognized in other comprehensive income. They 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 2020, currency exchange effects in the amount of 1k 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 U.S. dollars to euros, and of U.S. dollars to British pounds. The following exchange rates have been used for the currency translation in the years presented:

USD to EUR	6/30/2020	12/31/2019	6/30/2019
Current Rate Period End	0.890	0.891	0.880
Average Rate for the Period	0.908	0.893	0.885

USD to GBP	6/30/2020	12/31/2019	6/30/2019
Current Rate Period End	0.809	0.754	0.787
Average Rate for the Period	0.794	0.894	0.773

### 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 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. 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 U.K. Ltd., the U.K. subsidiary of Artnet Worldwide Corporation. Artnet AG and its subsidiaries employ a total of 117 people as of June 30, 2020.

The former subsidiary Jay Art GmbH, Berlin, was liquidated and deleted from the commercial register on May 14, 2020.

### Treasury Shares

As of June 30, 2020, Artnet AG held 78,081 of its own shares, unchanged from the previous year, representing 1.4% of common stock.

### 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, 2020, based on the most recent corporate planning for the fiscal years 2020 through 2022. Currently, no material effects of the Corona pandemic on the recoverability of deferred taxes are expected.

### 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 internal communication, in U.S. dollars.

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, 2020 to June 30, 2020	Revenue k USD	Contribution Margin II k USD
Artnet Galleries	2,743	1,410
Artnet Price Database	3,774	2,037
Artnet Auctions	2,429	458
Artnet News	1,480	(582)
<b>Total</b>	<b>10,426</b>	<b>3,323</b>

Period January 1, 2019 to June 30, 2019	Revenue k USD	Contribution Margin II k USD
Artnet Galleries	2,988	1,669
Artnet Price Database	3,995	2,420
Artnet Auctions	2,162	371
Artnet News	1,770	(280)
<b>Total</b>	<b>10,915</b>	<b>4,180</b>

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

Reconciliation of Segments Contribution Margin II to the Operating Income	6/30/2020 k USD	6/30/2019 k USD
Contribution Margin II	3,323	4,180
Fixed Costs of Sales Expenses Including Depreciation 238k USD (2019: 293k USD)	1,196	1,604
Fixed Costs of General and Administrative Expenses Including Depreciation 514k USD (2019: 469k USD)	1,823	1,659
Fixed Costs of Product Development Expenses	260	237
Operating Income	44	680

Advertising revenue is 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, 2020 to June 30, 2020	Revenue in Consolidated Income Statement k USD	Allocated Advertising Revenue k USD	Revenue by Segment k USD
<b>Segments</b>			
Artnet Galleries	2,410	333	2,743
Artnet Price Database	3,670	104	3,774
Artnet Auctions	2,423	6	2,429
Artnet News	-	1,480	1,480
Allocated Advertising Revenue	1,923	(1,923)	-
<b>Total</b>	<b>10,426</b>	<b>-</b>	<b>10,426</b>

Period January 1, 2019 to June 30, 2019	Revenue in Consolidated Income Statement k USD	Allocated Advertising Revenue k USD	Revenue by Segment k USD
<b>Segments</b>			
Artnet Galleries	2,505	483	2,988
Artnet Price Database	3,856	139	3,995
Artnet Auctions	2,155	7	2,162
Artnet News	-	1,770	1,770
Allocated Advertising Revenue	2,399	(2,399)	-
<b>Total</b>	<b>10,915</b>	<b>-</b>	<b>10,915</b>

## Earnings Per Share

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

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

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

	1/1-6/30/2020 EUR	1/1-6/30/2019 EUR
<b>Numerator (Earnings):</b>		
Net income for the first six months	1,130,714	536,171
<b>Denominator (Number of Shares):</b>		
The 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 potentially dilutive shares from stock options	23,705	20,902
The weighted average number of ordinary shares used to calculate dilutive earnings per share	5,576,691	5,573,888

In the first six months of the 2020 fiscal year, the weighted average exercise price of the stock options granted (4.22 EUR) exceeded the average share price (3.86 EUR), except for 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 23,705 shares was calculated using the treasury stock method. Diluted and undiluted earnings per share amounted to 0.22 USD (0.20 EUR), as compared to the previous year (2019: 0.11 USD/0.10 EUR) due to the forgivable loan granted by the U.S. Small Business Administration.

### **Employees**

In the first six months of the 2020 fiscal year, there were 111 full-time employees in the Group, as compared to 128 in the same period of 2019. Additionally, the Group had two part-time employees, the same as last year. In Sales and other departments, the Group had four freelancers, as compared to three in the same period the previous year.

### **Significant transactions with related parties**

In 2018, a consulting agreement with Galerie Neuendorf AG was extended until August 31, 2019. In August 2019, this agreement was extended for two years until August 31, 2021. Mr. Hans Neuendorf is the CEO of Galerie Neuendorf, and based on this agreement, Mr. Neuendorf shall provide ongoing strategic advice concerning further development and expansion of the Group.

### **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.

Furthermore, estimates of the borrowing rate for lease accounting have been necessary for the financial year 2020 and the forgivable amount of the loan granted by the U.S. Small Business Administration.

### **Notification concerning transactions of persons with managerial responsibilities according to Section 19 of MMVO**

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

### **Voting Rights Notifications**

According to § 21, WpHG shareholders are required to report when the level of their shareholdings exceeds or falls below certain thresholds. The thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75%. The voting rights notifications received by the Company during the year under review, are available on Artnet's website at [artnet.com/investor-relations/voting-rights-notifications](http://artnet.com/investor-relations/voting-rights-notifications).

Announcement Date:	Person or entity subject to the notification obligation (Complete chain of subsidiaries starting with the top-ranking controlling person or the top-ranking controlling company):	+ = exceeding - = reduction	Threshold %	Date on which threshold was crossed or reached	% of voting rights attached to shares	Comment
10/6/2015	Brewster Fine	+	3	10/1/2015	3.24	
10/12/2016	Andreas Langenscheidt	+	3	10/6/2016	3.3	
1/30/2019	Andrea Sybill Schaeffer	+	3, 5	4/11/2018	5.41	<p><i>Mr. Klaus Jochen Schaeffer passed away on April 11, 2018. As of May 27, 2010, he along with then-shareholder Schaeffer Immobilien GmbH had announced a voting share of 8.52%.</i></p> <p><i>SSP Immobilien GmbH &amp; Co. KG is the parent company of Schaeffer Immobilien GmbH, which in turn is the general partner of SSP Immobilien GmbH &amp; Co. KG (so-called "Einheits-KG"). At the time, Mr. Klaus Jochen Schaeffer held 60% of SSP Immobilien GmbH &amp; Co. K.G., while Mrs. Andrea Sybill Schaeffer held 40%.</i></p> <p><i>On October 6, 2017, all Artnet shares held directly by Schaeffer Immobilien GmbH were transferred to its parent company, SSP Immobilien GmbH &amp; Co. K.G.</i></p> <p><i>Since the death of Mr. Klaus Jochen Schaeffer on April 11, 2018, Mrs. Andrea Schaeffer is the sole limited partner of Artnet shareholder SSP Immobilien GmbH &amp; Co. K.G.</i></p>
	SSP Immobilien GmbH & Co. KG	+	3, 5		5.41	
12/30/2019	Dr. Kyra Heiss	-	10	12/23/2019	5.24	
7/14/2020	Oliver Flaskämper	+	3	7/13/2020	3.01	
	Priority Aktiengesellschaft	+	3		3.01	
07/28/2019	Rüdiger K. Weng	+	3,5,10,15,20	07/22/2020	16.17 (Total: 24.08)	
	Rüdiger K. Weng A+A GmbH				3.91	
	Weng Fine Art AG				12.16 + 9.68 in instruments	

Berlin, August 14, 2020



Jacob Pabst  
CEO, Artnet AG

**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

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**Investor Relations**

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

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

**German Securities Code Number**

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

**Wertpapierkennnummer**

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Artnet Worldwide Corporation

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