

artnet AG

Quarterly Interim Statement
for the First Quarter of 2020

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General Information and Business Activities

Artnet AG is a publicly traded corporation headquartered in Berlin, Germany. Artnet AG was incorporated under the laws of Germany in 1998. The address of its registered office is Oranienstraße 164, 10969 Berlin, Germany.

Artnet AG holds 100% of the shares in Artnet Worldwide Corporation, which is located in New York, NY, USA. 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 Corp. has two wholly owned subsidiaries, Artnet UK Ltd. and Jay Art GmbH. Jay Art GmbH was liquidated on May 18th, 2020.

The Group’s goal is to provide art collectors, galleries, publishers, auction houses, and art enthusiasts with an all-in-one platform to buy, sell, and research fine art. The Price Database contains approximately 14 million auction records, allowing for in-depth

art market research. Users can find artworks that are currently available for sale in the Gallery Network, Auction Houses, or on Artnet Auctions, an online transaction platform. Artnet News, a 24-hour newswire, informs users about the events, trends, and people shaping the global art market.

Economic Development of the Group

Artnet is expanding its reach as the leading information and data services provider for the art market. The number of unique visitors at Artnet News sharply increased by 69% in the first quarter of 2020, as compared to the previous year. As a result, Artnet’s total web traffic increased by 30% in the same period.

Due to advertising revenue growth at Artnet News and a revenue increase in the Galleries segment, total revenue at Artnet was up year-over-year through February of 2020.

Following this positive start, March results were affected by the outbreak of the novel coronavirus and the resulting COVID-19 pandemic. Lockdowns and social distancing measures in

Europe and the United States, the world's largest art market and of particular importance to Artnet, hit the art world hard and led to widespread panic. Conventional auctions, art fairs and exhibitions were canceled or postponed, museums and galleries closed globally. Luxury goods manufacturers, loyal advertisers on Artnet News, shut their stores and warehouses and postponed their advertising campaigns.

Due to these sudden and negative effects of the pandemic in March, Artnet's total revenue in the first quarter of 2020 decreased by 2% or 124k USD to 5.14 million USD, as compared to the previous year (Q1 2019: 5.26 million USD).

Revenue for the **Price Database** segment decreased slightly by 1% to 1.9 million USD in the first quarter for the same reasons, despite an increase in revenue in the first two months. Besides the canceling of auctions, demand for the database remained relatively stable.

Gallery Network revenue increased by 2% to 1.2 million USD in the first quarter. The COVID-19 pandemic caused temporary as well as permanent closings of galleries. Still, a high number of new gallery members were added as galleries turned to the Gallery Network to increase their online presence and facilitate transactions.

Advertising revenue rose by 9% to 1.1 million USD, driven by strong demand for advertising space on Artnet News in January and February.

Artnet Auctions revenue decreased by 18% to 0.9 million USD due to the initial panic and tremendous volatility in both the art market and financial markets in March. Auctions' management decided against postponing sales — even in the first week after the lockdown — to send a clear message to the market that Artnet's online transaction platform remains available to the entire market as one of the few solutions to buy and sell art effectively, even during these difficult times. Even though Auctions didn't see an immediate impact in March because of the market panic, the clear advantages of the online auctions model will bear fruits quickly, particularly in a crisis like this.

Gross profit for the first quarter of 2020 decreased by 4% or 135k USD to 3.11 million USD (Q1 2019: 3.25 million USD) due to the revenue decline.

Operating expenses increased by 5% or 147k USD to 3.39 million USD (Q1 2019: 3.25 million USD) mainly due to an increase in Product Development costs and less capitalization. As a result, the net loss for the first quarter amounted to -326k USD (Q1 2019: -43k USD).

Development of Segments

Management closely monitors the Contribution Margin II (revenue minus direct and indirect variable costs) for each segment as a measure of profitability.

The Contribution Margin II (CM II) for the Price Database decreased by 13% to 1.02 million USD due to the slight decrease in revenue as well as higher personnel costs and legal fees.

The CM II for the Galleries segment in the first quarter of 2020 increased by 5% to 767k USD year-over-year due to the increase in revenue.

For Artnet News, the CM II improved by 8% but remained negative at -273k USD. Higher costs for personnel offset strong advertising revenue growth.

At Artnet Auctions, the CM II decreased from 152k USD to -85k USD, primarily due to lower revenue.

Financial Position

The Group's operating cash flow in the first quarter of 2020 remained positive.

Opportunities and Risks

The 2019 Annual Report, which is delayed due to the coronavirus crisis and is to be published in June, will outline all opportunities and risks, which are being reevaluated in light of the pandemic.

Outlook

Despite the general uncertainties resulting from the global economic downturn, Artnet is ideally positioned to help the art market weather this crisis. While conventional auctions, art fairs and galleries are canceled or closed in many parts of the world, Artnet remains fully operational and essential as market participants all over the world are looking to transact online.

Price Database revenue is expected to be stable due to the continued significance of reliable data and price transparency in challenging times for the art market.

For **Galleries**, the lockdown exacerbates previously existing business challenges many clients are facing in an already difficult market environment. The coronavirus crisis highlights the need for increased online exposure for member galleries and potential members. A sound e-commerce strategy is becoming an increasingly urgent necessity for galleries. The Gallery Network is an experienced and very effective partner in helping to shape and execute these plans and will come out of this crisis stronger as a result.

Artnet News' focus on quality journalism will continue to drive traffic. Artnet has become an indispensable source for art market information, offering orientation and reliable information to market participants, as well as a welcome break from a currently mostly dire news landscape. After years of record growth and despite the significant increase in traffic, the economic downturn will most likely lead to a decline in advertising revenue in 2020, as compared to last year.

Artnet Auctions is uniquely suited for the market's near overnight pivot from brick-and-mortar to online auctions due to the lockdown. Auctions will play a critical role in the art market as buyers become more accustomed to purchasing high-priced artworks online. Early results in the second quarter already show record transaction volumes and revenue growth at Auctions.

Following a solid start to the year, Artnet is facing a challenging year 2020 due to the coronavirus crisis and the threat of a severe recession. But this crisis is also a tremendous

business opportunity as it accelerates the digital transformation of the art market. Artnet is ideally positioned to profit from this development.

Berlin, June 2, 2020



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CEO, artnet AG

Artnet AG

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Investor Relations

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

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

German Securities Code Number

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

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