

artnet AG

Quarterly Interim Statement
for the Third Quarter of 2018

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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 (“Artnet Corp.,” collectively the “artnet Group”), which is located in New York, NY, USA. Artnet Corp. has two wholly owned subsidiaries, artnet UK Ltd. and Jay Art GmbH, which is in liquidation as of January 30, 2018. The artnet Group provides collectors, galleries, publishers, auction houses, and art enthusiasts with a comprehensive suite of art market products, bringing more transparency and accessibility to art the world. The Price Database contains more than 12 million auction records, providing a resource for in-depth price research and art valuation. The Gallery Network is a platform connecting leading galleries with collectors worldwide showcasing member galleries’ inventory and programming. artnet Auctions, the first online auction platform dedicated to fine art, allows for immediate transactions between buyers and sellers. artnet News, a 24-hour newswire, informs users about the events, trends, and people shaping the global art market. artnet generates its revenue and incurs its expenses primarily in US dollars.

Economic Development of the Group

In the first nine months of 2018, artnet’s total revenue grew by 1% or 129K USD to 15.4 million USD, as compared to 2017. In the third quarter of 2018, total revenue decreased by 5% or 259k USD to 4.7 million USD, compared to the previous year. Steady growth in the Price Database and Galleries segments was offset by a temporary drop in Auctions revenue due to a strategic adjustment, as well as the shift of Advertising revenue from the third to the fourth quarter. Overall, Management expects a strong fourth quarter across all platforms, confirming 2018 outlook for the financial year.

Price Database revenue increased by 4% to 5.7 million USD in the first nine months of the year due to a steady rise in the average number of monthly subscribers as a result of improvements, marketing, and sales initiatives. In the third quarter, revenue remained stable year-over-year, despite the general slowdown of the auctions market during the summer months.

Revenue for the Gallery Network increased by 4% to 4.0 million USD in the first nine months of the year due to increased demand for higher-tier memberships, despite a slight decrease in revenue of 2% in the third quarter. artnet continues to introduce product innovations to make it easier for gallery members to manage and showcase their inventory to a global audience. The gallery pages were redesigned in several phases, and relaunched in September partly based on feedback provided by members, whose insight was instrumental in shaping its overall strategy, key features, and interface. The new design highlights the vision of gallerists while offering collectors the most immersive viewing experience possible, and further improvements are currently in production.

Advertising revenue increased by 3% to 2.9 million USD in the first nine months of the year, driven by growing demand for ad space on artnet News. In the third quarter, revenue grew by 1%, a further increase over the unusually successful third quarter of 2017. Orders for advertising space shifted from the third to the fourth quarter, and therefore artnet expects stronger revenue growth in the final three months of 2018. artnet News strengthened its reputation as the leading source for exclusive

and in-depth information about the art world. As a result, the number of visitors increased by 23% during the first nine months of 2018, as compared to last year. Over the summer, teams from artnet News and the Price Database collaborated on the artnet Intelligence Report, a comprehensive study of current trends in the art market. The first edition was published on October 1, timed with the upcoming fall auctions season. The report, prepared by expert art historians at the Price Database and top journalists at artnet News, further underscores artnet's authority as the leading provider of data analytics for the fine art market. This collaboration is only the beginning of many more initiatives and product development efforts to further highlight data on artnet News.

Revenue for artnet Auctions decreased by 11% to 2.8 million USD in the first nine months of 2018 as compared to 2017 due to lower transaction volumes. In the third quarter, revenue fell by 27% to 680k USD but Management expects stronger revenue in the fourth quarter. Auctions' focus is raising the quality of artworks offered to increase the average lot price, including turning down consignments if necessary. Following this strategic adjustment, Management did anticipate a brief period of correction, but expected positive results more quickly. The strategy to focus on high-quality artworks and an increase of the average lot price will further raise the reputation of artnet Auctions. artnet is confident that this quality initiative will lead to higher sell-through rates and efficiency, increased customer satisfaction, and growing revenue in the future. Already, this strategy has resulted in several record-breaking sales and an increase in the average price of lots sold by 13% to 13,200 USD in the first nine months of 2018, as compared to the previous year. The highest-selling lot in the third quarter was Richard Hambleton's *Shadow Man* (2004), which sold for 120,000 USD (with premium), exceeding its high estimate of 90,000 USD. Prints by Chris Levine and Sol LeWitt were among other lots that set new worldwide auction records on the platform this year. The traditionally busier fall season is already showing promising results for the Auctions segment: Of the top 10 prices for photographs in artnet Auctions' history, four were achieved in *Photographs: The Premier Sale*, which was live for

bidding from mid-September to early October.

Gross profit for the first nine months of 2018 fell by 2% or 231k USD to 9.1 million USD over the previous year (2017: 9.3 million USD). As projected, this decline is due to the increased cost of sales. Operating expenses decreased by 2% or 184k USD to 9.1 million USD in the first nine months of the year, mainly due to the partial capitalization of Product Development expenses for project FALCON. Project FALCON, represents a major initiative to improve artnet's site and technology infrastructure, which will make the Group much more agile, faster, and efficient upon its completion in 2019. Net losses for the first nine months of 2018 increased to -120k USD (2017: 72k USD), due to an impairment loss of an intangible asset in Jay Art GmbH following the decision to liquidate the company.

Development of Segments

Management closely monitors and controls the individual business segments based on the Contribution Margin II (revenue minus direct and indirect variable costs), a metric to determine the profitability of each segment. At the beginning of 2018, Management made a decision to change the allocation of direct sales costs. This change affects the Contribution Margin II. The Contribution Margin II for the Price Database, artnet's most profitable segment, increased 20% to 3.7 million USD in the first nine months of 2018 as compared to 2017. The Contribution Margin II for Galleries, artnet's second-largest revenue source, increased by 16% to 2.5 million USD during the same period. The increase in profitability for Price Database and Galleries was primarily due to a decrease in expenses for personnel and product development. The Contribution Margin II for artnet Auctions decreased by 113% to -270k USD, mainly due to a decrease in revenue. The Contribution Margin II for artnet News decreased by 189% to -790k USD, following the decision to change the allocation of sales costs.

Financial Status

The financial status of the Group has not changed since the publication of the 2017 Annual Report. The Group's operating cash flow remains positive and has decreased in the first nine

months as compared to last year. The investment in our technological infrastructure is the main cause of the decrease in cash.

Opportunities and Risks

Since the *2017 Annual Report* was published on March 20, 2018, no significant events occurred that necessitate a reassessment of risks and opportunities for the artnet Group. A detailed overview of risks and opportunities can be found in the 2017 Annual Report.

Outlook

Management expects a strong fourth quarter across all platforms. As stated in the Outlook published in the *2017 Annual Report*, Management expects revenue to increase to a total of 22.0–23.0 million USD (17.7–18.5 million EUR at an estimated exchange rate of 1.24 EUR/USD) in 2018, along with a moderate increase in expenses. For income from operations, Management expects an increase in a range of 1.0–1.5 million USD (0.8–1.2 million EUR). Overall, Management does not alter its forecast for the development of the business in 2018.

Berlin, November 9, 2018

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

Jacob Pabst
CEO, artnet AG

artnet AG

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Dr. Pascal Decker, Deputy Chairman
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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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Concept and Production
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