

artnet AG

Quarterly Interim Statement
for the First Quarter of 2019

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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 is in liquidation as of January 30, 2018.

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 more than 12.5 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

Driven by strong growth in the Auctions and Advertising segments, artnet grew its total revenue in the first quarter of 2019 by 3% or 129k USD to 5.26 million USD, as compared to the previous year (Q1 2018: 5.13 million USD).

In the financial year 2018, Auctions was profitable for the first time. In the fourth quarter of 2018, the segment generated the highest quarterly revenue since its inception in 2008. This positive trend continued in the first quarter of 2019. Auctions remained profitable and increased revenue by 12% to 1.1 million USD year-over-year. The strict focus on high-quality offerings with attractive pricing continues to be the right strategy, leading to higher sell-through rates and higher average prices. The average price of lots sold increased

strongly by 38% to 16k USD, as compared to the first quarter of 2018. The Contemporary Art sale in March became the highest grossing auction for this genre since the launch of the Auctions platform in 2008, setting several world auction records for particular artists. Earlier in the year, the WARHOL sale performed strongly, achieving an auction record for a rare trial proof of the pop artist's 1983 screenprint *Orangutan (from Endangered Species)*.

Advertising revenue rose by 12% overall to 1.0 million USD driven particularly by strong demand for ad space on artnet News. Advertising revenue from the News segment advanced significantly by 31%. News contributed almost three-quarters (73%) to total advertising revenue in the first three months of 2019. Total traffic grew strongly compared to the first quarter of 2018, with the number of visitors up by 24% year over year, helping to sell advertising space on artnet.

Galleries revenue decreased by 7% to 1.2 million USD as a result of fewer new gallery members. The number of new galleries decreased due to competition from art fairs and other online platforms. Also, many mid-size galleries continue to struggle with high operational costs. Last year, artnet introduced new gallery profile pages and many other improvements. We will continue to launch new features to drive more traffic to our gallery members. We are therefore confident to continue last year's recovery in the remainder of 2019.

Revenue at the Price Database was unchanged at 1.9 million USD. The Price Database, artnet's core segment, features more than 12.5 million auction results and remains an essential and coveted research tool for art market participants. The segment profited from a recent redesign and an improved positioning of the product page.

Gross profit for the first quarter of 2019 rose by 10% or 304k USD to 3.25 million USD (Q1 2018: 2.94 million USD). The increase is due to lower cost of sales because of lesser personnel expenses.

Operating expenses decreased by 3% or 110k USD to 3.25 million USD (Q1 2018: 3.36 million USD), as a result of organizational changes in the Product Department. Therefore,

the net loss in the first quarter of 2019 narrowed to -43k USD year-over-year (Q1 2018: -370k USD).

artnet remains confident that it will achieve positive growth in all four business segments in the financial year 2019. The art market has embraced online-only auctions as an efficient and economical method to buy and sell fine art. artnet Auctions, one of artnet's most significant revenue drivers, will play an even more critical role in the art market as buyers become more accustomed purchasing artworks online. The strategic focus on high-quality offerings will continue to raise the average lot price, the sell-through rate and customer satisfaction.

artnet News, which already contributes almost three-fourths to the total advertising revenue, is the leading online platform for news covering the art world. The editorial focus on quality journalism and original content will continue to increase site traffic and ad sales.

Galleries will expand the sales team and increase outreach to potential clients through innovative marketing initiatives. The goal is to grow the number of memberships in a highly competitive and challenging market. Also, further product improvements are planned for 2019.

Price Database revenue will grow due to increasing numbers of retail and institutional subscriptions. In Q1 2019, artnet published the second edition of the Intelligence Report. Taking full advantage of the Price Database's unparalleled data quality, the Intelligence Report offers unique and actionable insights into the current business of art. Along with innovative and effective marketing and sales initiatives, the Price Database underlines its position as the gold standard in the art market.

artnet is revamping its technology infrastructure with the groundbreaking project FALCON, which will significantly increase efficiencies, as new products can be developed and launched much faster at reduced costs. In 2019, visitors to the site and clients will see the first changes and improvements which so far mainly affect the physical infrastructure (back end) of the website. The Group will introduce product enhancements across all segments, setting the Group up for growth in 2019 and beyond.

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 as well as for Galleries slightly decreased in the first quarter of 2019 as compared to the previous year, despite a reduction in costs. The CM II for artnet News improved but remained negative overall. Auctions remained profitable due to solid revenue growth and a decrease in personnel costs. Auctions had become profitable for the first time in the financial year 2018.

The CM II for the Price Database decreased by 1% to 1.17 million USD. Increased personnel, bad debt, and legal expenses were offset by lower expenses for sales and marketing.

In the Galleries segment, the CM II decreased only by 1% to 732k USD despite the drop in revenue. The revenue decrease and a rise in bad debt expenses were counterbalanced by reduced expenses for sales and client service personnel as well as for product development.

For artnet News, the CM II improved by 10% to -296k USD. Strong advertising revenue growth was offset by higher expenses for marketing and sales.

At artnet Auctions, the CM II improved from -135k USD to 152k USD, primarily due to higher revenue and lower personnel expenses. Marketing expenses rose compared to the first quarter of 2018 and slightly capped the positive development.

Financial Position

The financial position of the Group has not changed since the publication of the 2018 Annual Report. The Group's operating cash flow in the first quarter of 2019 remained positive but declined as predicted.

Since January 1, 2019, artnet has recognized leases in accordance with IFRS 16. Due to the first-time recognition of right-of-use assets and the corresponding lease liabilities, the balance sheet total increased significantly. In addition, this had a moderate impact on individual income statement items and on our key financial figures.

Opportunities and Risks

Since the 2018 Annual Report was published on March 22, 2019, no significant events occurred that may affect the evaluation of future risks and opportunities for the Group.

Outlook

According to the Outlook published in the 2018 Annual Report, artnet is poised to expand its leading position in a competitive market. Management expects the momentum of rising revenue, coupled with a moderate increase in expenses, to continue, and therefore does not alter its prognosis for the development of the segments in 2019, as described in the 2018 Annual Report.

Berlin, May 10, 2019



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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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