

**artnet** AG

Quarterly Interim Statement  
for the First Quarter of 2018

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### Table of Contents

General Information and Business Activities
Economic Development of the Group
Development of Segments
Financial Position
Opportunities and Risks
Outlook
artnet Authorities, Addresses, Investor Relations, artnet Stock

### 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 over 11 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 House Partnerships, 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 Galleries and Price Database segments, artnet grew its total revenue in the first quarter of 2018 by 3% or 138k USD to 5.13 million USD, as compared to the previous year (Q1 2017: 5.00 million USD).

The Galleries segment began its anticipated turnaround. Revenue in the first quarter increased by 9.8% to 1.31 million USD, as a result of rising memberships and a significant shift towards higher-tier plans. Last year, artnet introduced the Gallery Portal, a new content management system for galleries that has been well-received by its users. This year, we are making a number of additional improvements to the product, aiming to increase visibility, inquiries, and sales for our members. Under new leadership, Galleries will also focus on client retention and further strengthen ongoing collaboration with its members.

Revenue from the Price Database increased by 6.7% to 1.92 million USD, in response to the continued growth of the retail business after the redesign of product pages. Institutional business grew as a result of stronger outreach efforts for sales and subscription renewals. In the coming year, we are planning to improve the positioning of the product page, as well as optimize the Price Database for mobile use, which we anticipate to lead to a further increase in revenue.

Revenue for artnet Auctions decreased by 8.6% to 1.0 million USD due to lower transaction volume. The team has focused on obtaining high-quality artworks with attractive pricing to increase the sell-through rate and customer satisfaction. Management sees these efforts as necessary to improve the Group’s reputation and lead to higher sales in the future. Auctions achieved the second-highest revenue for a first quarter since the platform launched in 2008, and celebrated a record sale by the graffiti artist Dondi earlier this year.

Advertising revenue decreased marginally by 0.3% to 901k USD. On artnet News, advertising revenue rose significantly by 56%. This growth was offset by a decline in revenue from newsletters.

Gross profit for the first quarter of 2018 fell by 3.4% or 103k USD to 2.94 million USD over the previous year (Q1 2017:

3.05 million USD). As projected, this decline is due to increased cost of sales as artnet hired additional staff, particularly in the Auctions segment.

As anticipated, operating expenses rose by 9.0% or 280k USD to 3.36 million USD (Q1: 3.08 million USD), as a result of higher expenses for sales and marketing. Therefore, net losses in the first quarter of 2018 widened to -370k USD (Q1 2017: -53k USD).

artnet remains confident that it will return to positive growth in all segments. The art market has embraced online-only auctions as an efficient and economical method to buy and sell fine art. artnet Auctions will play an even more critical role in the art market as buyers become more comfortable purchasing higher-priced artworks online. artnet News, which already contributes almost two-thirds to the total advertising revenue, has become the leading online platform for news about the art world. artnet is also improving its IT infrastructure, aiming to significantly increase efficiencies and reduce costs. The Group will introduce product enhancements across all segments, setting the Group up for growth in 2018 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 increased significantly in the first quarter of 2018 as compared to the previous year, while holding steady for Galleries. The CM II for artnet News and Auctions fell substantially as compared with the first quarter of 2017, partly due to the decline in Auction revenue. The CM II for the Price Database increased by 31% to 1.18 million USD, mainly due to higher revenue and lower expenses for product development and personnel. This is the result of the Group-wide effort to automate processes and cut costs. Galleries profited from higher revenue and decreased sales expenses. These items were partly offset by slightly higher personnel expenses and increased costs for ongoing product development, leading to an increase for Galleries' CM II of 1% to 738k USD in the first quarter. For artnet News, the CM II decreased by 310% to -328k USD, due to a changed allocation structure for sales and

increased travel expenses, in light of flat revenue growth. For artnet Auctions, the CM II decreased by 541% to -135k USD, due to lower revenue and rising expenses. Lower costs for product development slightly offset the decrease in profitability.

### Financial Position

The financial position of the Group has not changed since the publication of the 2017 Annual Report. The Group's operating cash flow in the first quarter of 2018 remained positive, but declined.

### Opportunities and Risks

Since the 2017 Annual Report was published on March 23, 2018, 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 2017 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 prognoses for the development of the segments in 2018, as described in the 2017 Annual Report.

Berlin, May 11, 2018



Jacob Pabst  
CEO, artnet AG

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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**

WKN	A1K037
ISIN	DE000A1K0375
LEI	391200SHGPEDTRIC0X31

Concept and Production  
Artnet Worldwide Corporation

