

artnet AG

Quarterly Interim Statement
for the Third Quarter of 2017

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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, an online art marketplace. 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 the art world. The Price Database contains more than 11 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

artnet has continued to maintain a strong momentum. In the first nine months of 2017, artnet’s total revenue increased by 9% or 1.3 million USD to 15.3 million USD as compared to 2016. In the third quarter of 2017, revenue grew by 11% or 474k USD to 5.0 million USD as compared to 2016, driven by double-digit growth in the Auctions and Advertising segments.

The artnet Auctions platform continues to gain popularity. Fee-based revenue for artnet Auctions increased by 36% to 3.2 million USD in the first nine months, primarily resulting from higher lot prices. The average price of lots sold during this period rose by 48% to 11,700 USD. In the third quarter, revenue for artnet Auctions increased by 22% in spite of typically slower activity during the summer months.

Advertising revenue increased by 16% to 2.8 million USD in the first nine months, thanks largely to the increasing success of artnet News. The 24-hour art newswire is setting a new record for traffic, becoming more popular among luxury brands for their ad campaigns. artnet News contributed almost two-thirds to artnet’s overall advertising revenue in the first nine months. Advertising revenue from artnet News alone increased by 49% in the first three quarters of 2017, as compared to the previous year. In the third quarter, overall revenue for advertising increased by 25%. Price Database revenue increased by 2% to 5.5 million USD in the first nine months. In the third quarter, revenue increased by 8% due to marketing initiatives and a revamped product page, resulting in more subscriptions. As a result, the segment achieved the highest sales in the nine-month period since 2014. Revenue for the Gallery Network decreased by 2% to 3.8 million USD in the first nine months due to a slight decline in memberships, as the gallery industry continues to struggle with increased competition and operational costs. In the third quarter, revenue for this segment decreased by 1%. In September, artnet launched the Gallery Portal, an online tool that allows galleries to manage their inventory on their artnet member site—a promising new feature that was well received by gallery members.

Gross profit from sales in the first nine months increased by 5% or 404k USD to 9.3 million USD. In the third quarter, gross profit

increased by 8% or 210k USD to 3.0 million USD. Strong revenue growth was offset by an increase in the cost of sales, attributable to an increase in personnel.

Operating expenses increased by 3% or 302k USD to 9.3 million USD in the first nine months. This was mainly due to increased expenses for selling and marketing. Administrative costs rose slightly, driven by higher expenses for consulting and bad debt.

artnet generated a net profit of 72k USD in the first nine months of 2017, an increase of 55% or 26k USD compared to 2016.

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. The Contribution Margin II for the Price Database, artnet's most profitable segment, decreased 6% in the first nine months of 2017 as compared to 2016. This was primarily due to higher expenses for personnel and product development. The Contribution Margin II for Galleries, artnet's second-largest revenue source, declined by 4% during the same period.

The Contribution Margin II for artnet Auctions decreased by 72%. The segment is close to achieving profitability, even as the margin remained negative during the first nine months. The segment benefited from higher revenue in the first nine months, which was partly outweighed by higher expenses for personnel and marketing costs. The Contribution Margin II for artnet News increased by 55%. A renewed focus on editorial quality and original news under new leadership led to growing traffic and increasing ad sales from luxury brands. artnet News grew its ad revenue in the first nine months by 49%. The segment benefitted from lower product developing costs, which were offset by increased marketing costs and personnel expenses.

Financial Status

The financial status of the Group has not changed since the publication of the *2016 Annual Report*. The Group's operating cash flow remains positive and has increased in the first nine

months as compared to last year. This is due to the reduction of accounts receivable which resulted in a slight increase in cash and cash equivalents as compared to December 31, 2016.

Opportunities and Risks

Since the *2016 Annual Report* was published on March 24, 2017, no significant events occurred that necessitate a reassessment of risks and opportunities for the artnet Group.

As described in the *2016 Annual Report*, the ongoing concern assumption for the Group is endangered by liquidity risks. Damages of 850k EUR, including interest, could be required on short notice for the alleged copyright infringement of a photographer, as determined by the French Court of Appeal. Aside from all legal remedies, artnet continues its efforts to achieve a settlement with the photographer. artnet does not believe a full payment of damages will be required in 2017.

Outlook

According to the Outlook published in the *2016 Annual Report*, artnet is poised to continue its leadership position in a competitive market. Management expects the momentum of rising revenues, along with a moderate increase in expenses, to continue, and therefore does not alter its forecast for the development of the business in 2017, as described in the *2016 Annual Report*.

Berlin, November 10, 2017



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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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