artnet

Artnet AG
2022
Annual Report

Our vision

Hans Neuendorf, founder, Artnet AG

‘As we enter a new chapter in 2023, we will continue to innovate and work towards improving the art market.’

From the outset, Hans Neuendorf gave Artnet a clear vision: to create a global digital art market built on the foundations of transparency. Since 1989, we have envisioned a world where buying, selling, and researching fine art is accessible, efficient, and highly rewarding for the modern collector. Artnet nurtures a family spirit underpinned by its unwavering long-term commitment to this corporate goal. Catalyzed by the global pandemic, the past two years have witnessed a systemic shift towards an online art market. As the art world continues its transformation, Artnet is centrally positioned as the industry’s leading online platform to build and shape its digital future. Our vision is more relevant now than ever.

Key Achievements in 2022

Strong Results

26 Million
USD Revenue

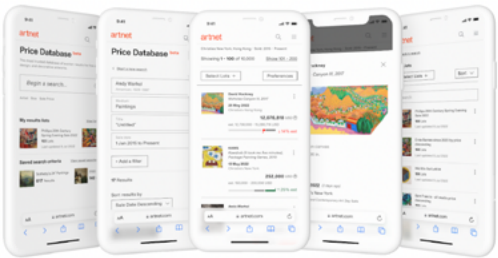
+38% increase in revenue
in the Media Segment YoY

+41% New Users
across the Platform

Pioneering the Digital Space

New bidders
from 57 countries

Release of the renewed Price Database



First NFT Drop
with 100% Sell Through Rate

Marketplace

77% Sell Through Rate
at Artnet Auctions in the Prints Category

425,000 USD
for Roy Lichtenstein's *Nude with Yellow Pillow*

175,000 USD
for Gerhard Richter's *Cage 1-6*

175,000 USD
for Andy Warhol's *Giant Panda*

Launch of Art Secured Lending Service

Partnerships
with, among many others:

Cadillac x Frieze Art Fair
Tate Britain x Royal salute
Makersplace
LACMA

The Values of a Deeply Committed **Art and Technology Business**

Transparency

Transparency is part of Artnet's DNA; it is the foundational idea on which the company was built. Fostering transparency internally, as well as in the art market is the basis of Artnet's reputation as the industry's trusted information provider.

♦

Efficiency

Artnet is driven by the aim of creating a more efficient art market. By leveraging digital solutions to minimize friction and transaction costs, Artnet seeks to deliver a growing, efficient transactional art market. As a company, Artnet works to be efficient in its pursuit of that goal.

♦

Innovation

As a pioneering disruptor in the art industry, Artnet continually strives for innovation. As a platform built from within the art world, Artnet always maintains a careful balance between looking to the future while respecting the industry's unique complexities.

♦

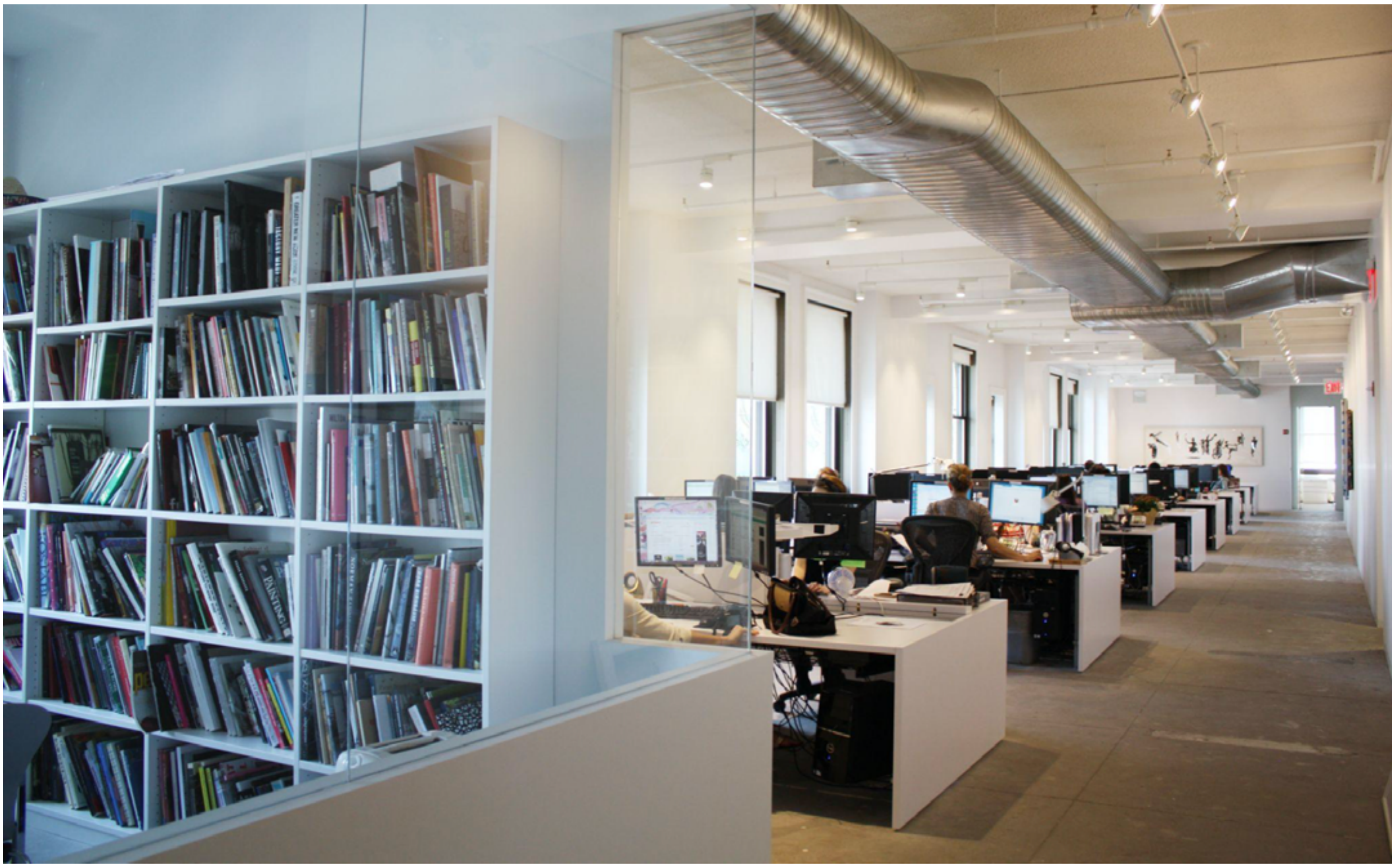
Curation

Quality can never be compromised. The curation of our marketplace is handled with the utmost attention to detail, so that our customers have the best possible experience. It is in this quest for excellence that Artnet differentiates itself.

♦

Accessibility

Artnet's global audience is testament to its desire to create an open, accessible art world that is more easily understood, researched, and learned about. We wish to be an accessible platform, and an accessible company that offers an open door to anyone wishing to engage with our shared passion.



Artnet offices/headquarters, Woolworth Building, New York, NY

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Message from the Chief Executive Officer

Jacob Pabst, Chief Executive Officer

'Artnet has made significant strides forward, and its foundations are solid. In 2023 we look forward to the completion of major developments and innovations that will position artnet for strong growth and profitability into the future.'

Dear Shareholders,

2022 was a challenging year for people and businesses across the world. While the start of the year carried strong momentum from 2021, the global post-pandemic recovery was soon mired by the conflict in Ukraine and energy and supply chain shortages. A protracted zero-Covid policy in China further dampened the macroeconomic climate. As inflation increased to rates not seen in recent history, significant monetary tightening started impacting economic performance. The art market, while historically somewhat insulated against macroeconomic shocks, also showed signs of decreased sales volumes and average price levels. Towards the end of the year the technology sector in particular experienced a revaluation.

Nevertheless, Artnet was able to achieve growth. There are several key factors that helped us through this difficult year, and I believe will help us through what promises to be a challenging 2023. Firstly, Artnet has historically proven resilient in market downturns due to its robust business model, centered around three synergistic yet diversified revenue streams. 2022 was testament to this, with the forceful growth in our Media segment providing crucial support to a softer year for our Marketplace segment.

Secondly, catalyzed by the pandemic related global shutdowns we are at the beginnings of a systemic shift towards an online-driven art market. We have seen rapid and broad adoption of online transactional formats in the art market, and while still nascent it is clear that this will continue to drive growth for the coming years. As the largest online platform for the global art market, Artnet is ideally positioned to capitalize on this long-term shift in consumer behavior. In 2022 we developed and refined our strategy to strengthen and build our position through this market transformation.

The third key factor is rooted in the spirit and performance of our team. The foundational changes we were able to make to our operations have fundamentally changed the structure of Artnet. In 2022 we welcomed several key team members and built an executive structure that sets us up for growth and efficiency into the future. I believe that Artnet has the talent, brand, and products to lead the online art market for years to come. I am proud of and excited about the investments we have been making to obtain scale and sustainable profitability, and am grateful to our team for their continued engagement, sense of community, and work ethic as we build towards our vision.

We are also proud to have welcomed +41% new users to Artnet in 2022, including significant growth in our younger demographic. With over 160 million pageviews, Artnet News achieved record growth and further solidified our position as the dominant media vertical in the industry. Artnet News Pro, our content subscription product aimed at our sizable core readership, continued to grow and recorded nearly 1 million USD in revenue. We look forward to offering expanded amenities to our users in 2023 as we transition to a holistic retail subscription as part of our broader unification strategy

I would like to thank our international network of galleries and auction house partners, who together make Artnet a dynamic, global, and diverse marketplace with over 280,000 carefully vetted artworks to discover. And, in the Marketplace segment, our innovative online-only model continues to prove its worth. With key strategic changes Artnet Auctions, by focusing on curation, liquidity, and low transaction costs, has become a significant player in the global auctions market.

In 2022 we completely rebuilt our core product, the Price Database. Our Data segment has been the foundational pillar of Artnet since its founding. It brought transparency to a notoriously opaque art market, and was critical in supporting its growth and transformation into a global industry over the last 30 years. Now, we are creating a new era of price transparency with a rebuilt data architecture and user experience. I am very excited for what this will bring and proud of what our technology team was able to achieve over the past year.

Artnet continues its commitment to sustainability and to promoting greater equity, diversity and inclusion, both within the company and in the art market as a whole. We have made visible progress in 2022 and continue to look for new ways of improving. We continue to work with the Gallery Climate Coalition, the Monuments Men Foundation, as well as the Deutsche Börse ESG Hub.

Artnet has made significant strides forward, and its foundations are solid. In 2023 we look forward to the completion of major developments and innovations that will position artnet for strong growth and profitability into the future.

Sincerely,

Jacob Pabst
Chief Executive Officer

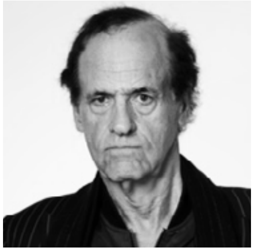
Executive **Team**

Jacob Pabst
Chief Executive Officer

Albert Neuendorf
Chief Strategy Officer

Alanna Lynch
Chief Operating Officer

Quentin Ryder
Chief Technology Officer



Bill Fine
President

Rob Baker
Chief Marketing Officer

Supervisory **Board**

Dr. Pascal Decker

Prof. Dr. Michaela Diener

Hans Neuendorf,
Founder, Artnet

Message from the Chief Strategy Officer

Albert Neuendorf, Chief Strategy Officer

‘A data driven transactional experience will form the foundation of our marketplace as we rebuild our platform.’

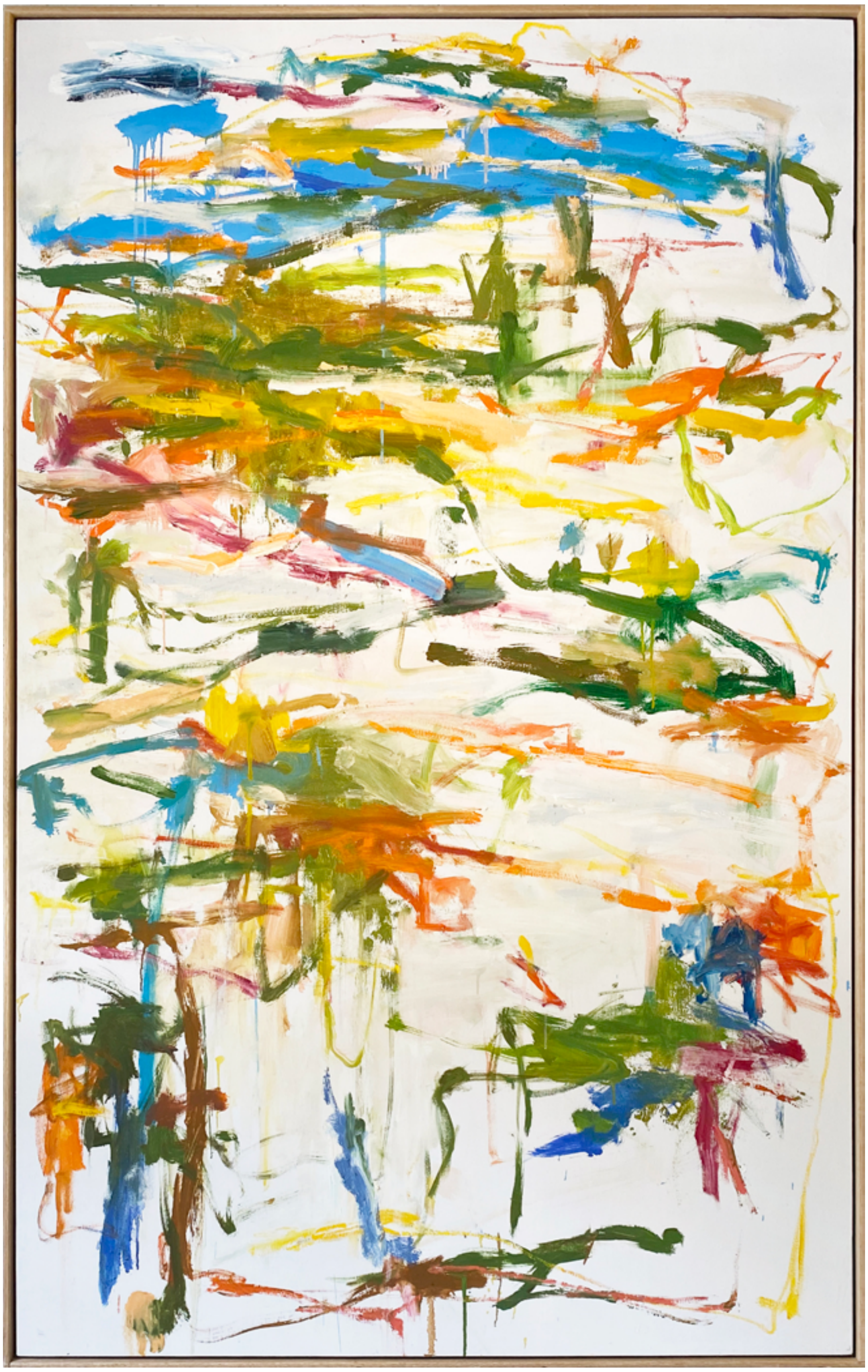
In 2022 the art market continued on its journey towards digitization with an increased adoption of data, digital solutions, and online transactional formats following a pandemic-induced shift in consumer behavior. As the industry evolves, Artnet is centrally positioned to capture market share by providing a portal to the global art world within a holistic, informationally rich online experience.

In 2022 we completed a major rebuild of our core data product and architecture. Crucially, this enables vast opportunities for AI applications to power our internal decision making, our marketplace, and to engage in expanded API driven data partnerships. Determining artwork value remains the most significant hurdle to increased liquidity in the art market, and we are uniquely positioned to provide contextual pricing information, trend analytics, and predictive algorithms that drive transactions. These insights have powerful applications that will be transformational for Artnet and the broader art industry.

A data driven transactional experience will form the foundation of our marketplace as we now embark on rebuilding our front-end platform. Artnet has over $3.5bn of artwork inventory, a significant amount of which is well suited to an e-commerce transactional format. Transitioning to e-commerce enabled partnerships will improve the user experience, drive success for our galleries and auction houses, and unlock commission revenue potential. Also foundational for our marketplace is vetting and curation. Expert curation is crucial for building trust - we are committed to focussing on quality over volume, driven by a deep appreciation for the passion that forms the backbone of the art market.

That understanding of the art market is highlighted in our continued commitment to journalistic excellence. Artnet News attracts a vast and growing global audience while maintaining a powerful yoke of highly engaged readers. As we develop and optimize our platform and content-to-commerce strategy, our media segment will deliver additional value through cross-pollination, as well as continued brand recognition and trust. Part of that value will come through the development of a unified retail subscription that combines media, data, and marketplace benefits to drive user conversion through the funnel.

In 2023 we will be making significant strides towards harnessing the powerful synergies between our segments. Our unification strategy underpins our ongoing internal restructuring, our platform rebuild, as well as our product development.



Kikuo Saito, *Sea Rose*, sold on Artnet Auctions for 162,500 USD

We envision a world where
buying, selling,
and researching art
is accessible, efficient, and
highly rewarding
for the modern collector.

Core Statement and **Vision**

Founded in 1989, Artnet has revolutionized the way collectors, professionals, and art enthusiasts discover, research, and collect art today. Artnet has an unparalleled 60 million unique users annually, making it the largest global platform for fine art. Artnet's market data is a mission-critical resource for the art industry, encompassing more than 15 million auction results and AI- and ML-driven analytics providing an unparalleled level of transparency and insight into the art market. Artnet's independence as an objective information provider is key to the trusted reputation it has built.

Marketplace: Artnet's Marketplace connects leading galleries and auction houses with our global audience, offering a curated selection of over 280,000 artworks for sale worldwide. A core element of the Marketplace, Artnet Auctions, the pioneering online-only auction platform, offers unprecedented reach, liquidity, and efficiency.

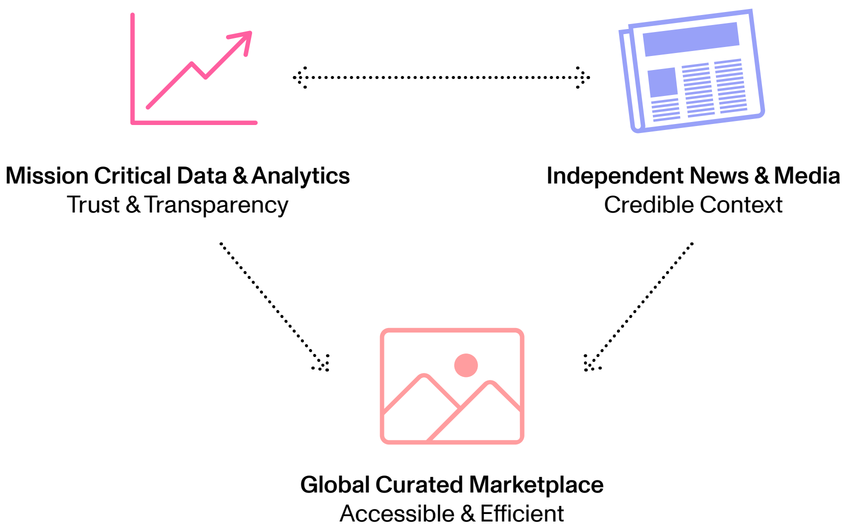
Media: A Media powerhouse, Artnet News covers the events, trends, and people shaping the global art market with up-to-the-minute analysis and expert commentary. It is the single most-read news publication in the fine art industry, with a rapidly growing, and dedicated audience.

Data: Artnet has an unparalleled 16 Million auction results in its Price Database, combined with Primary Market and NFT Data points. This renowned segment brings price transparency to an otherwise inaccessible market. Subscribers to the database receive access to upcoming auction information, recent auction results, mission critical deep analytics, as well as the up-to-date and impartial appraisal value of artworks.

Together, Artnet's unique, synergistic product offering, Data, Marketplace, and Media, provide a comprehensive ecosystem that drives and informs the modern art market - executing on this vision forms a key element of our strategy for 2023 and beyond.

2023 Mission
How we will deliver on our vision

By leveraging the combined strength of our business units we can create a unique, unified experience for our clients wherein our data and news products provide critical information and relevant context to ensure absolute confidence in their marketplace decision making.



Message from the Chief Technology Officer **Quentin Rider**

Quentin Rider, Chief Technology Officer

'For 2023, Artnet technology is going to be 100% customer focused.'

The year 2022 marked a period of reinvention for Artnet in terms of technology. In the past year, we experienced changes in leadership, developed our product team and underwent a large Agile transformation. These advances set up the Artnet Technology Team to realize big deliverables -- a new API platform, single login across our verticals, gallery enhancements, and the renewed and much improved Price Database. Additionally, our major security updates have made Artnet into the most secure platform in the industry. The massive momentum we have generated in the second half of 2022 will propel us forward for the exciting initiatives planned for the current financial year.

During 2023, Artnet technology is going to be 100% customer focused. Initiatives include unifying our platform and offering blended experiences that merge research, analytics, and news; these verticals will all be connected to create the online art market of the future. The experience will be mainly driven by information derived from ML models and user actions, creating an unparalleled personalized experience for our customers. Other areas of focus will be search and key UX/UI enhancements. Artnet's technology team is at optimum talent and power, and is the strongest in the company's history. We are very excited to execute on our vision for 2023 and plan to exceed all expectations, such as we did in 2022.

Artnet offices/headquarters, Woolworth Building, New York, NY

Key **Figures**

26.3 Million USD
Revenue

238 Million pageviews
Traffic

+38% increase in sale
in Media Segment

Highlights

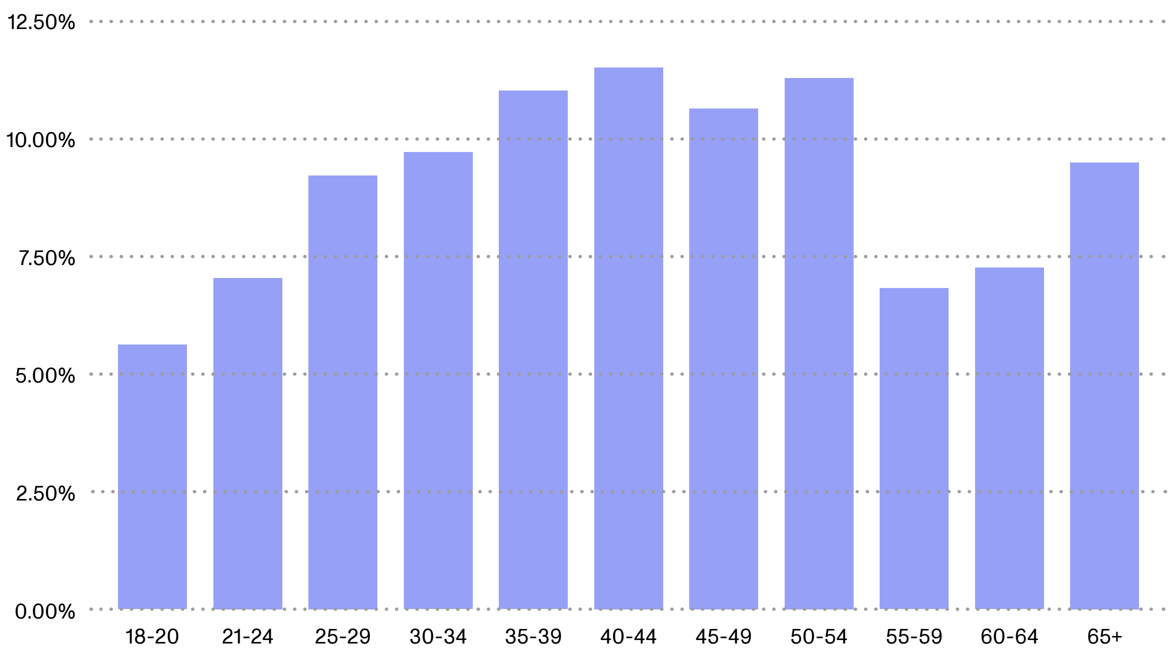
61 Auctions
in 2022

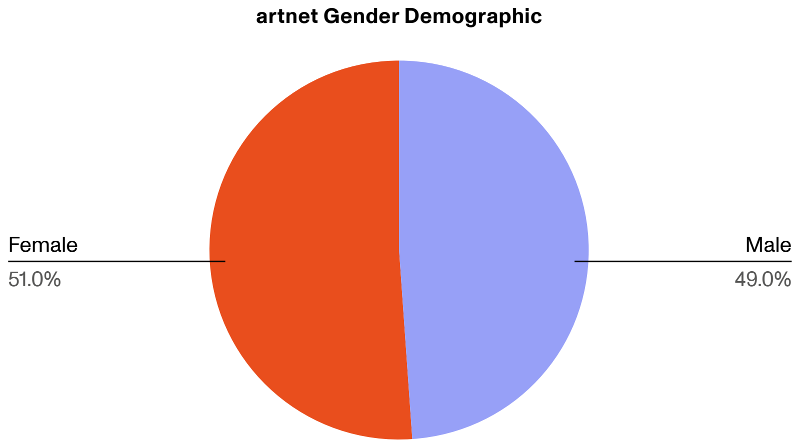
16 Million
Auction Results accessible in the Data Segment

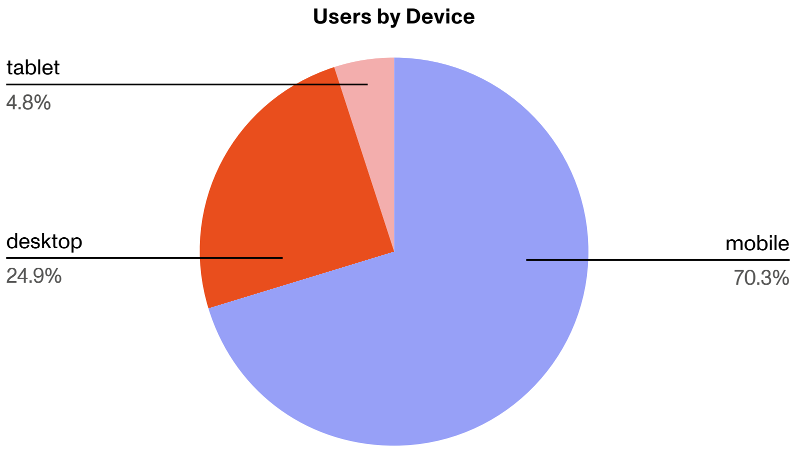
3,825 articles
published on artnet News

Demographics

artnet Age Demographic







Responsible Culture: **putting ESG at the heart of creativity**

7
philanthropic and charitable initiatives

20
auction record prices for Female artists

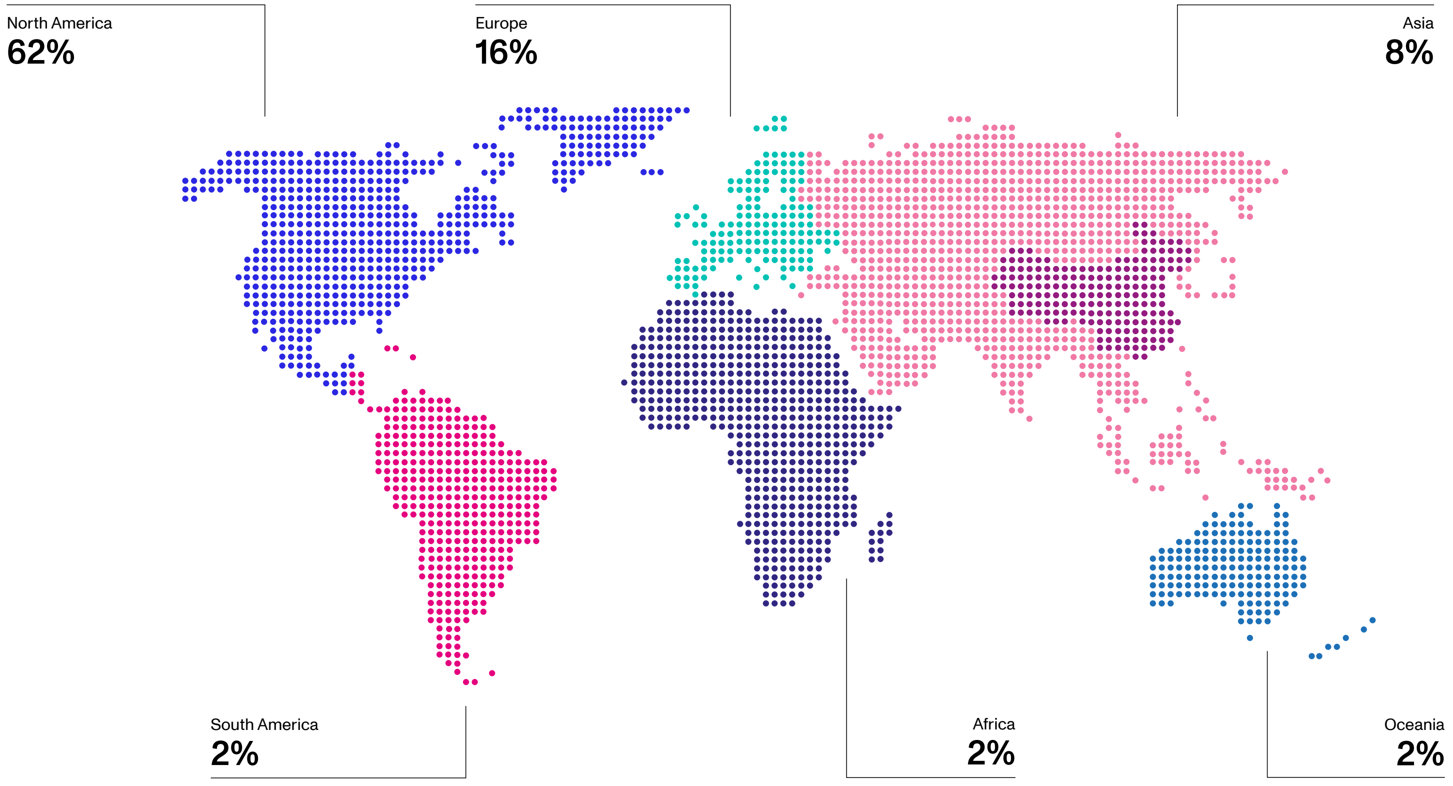
93
female team members, which represents 67.88% of employees

Audience **Geographic** Breakdown

3.3 Million
Followers across social media

19.8 Million
Pageviews per month

1.5 Billion
Pageviews since 2005



Our Reach

1,970,000+

Twitter

1,140,000+

Instagram

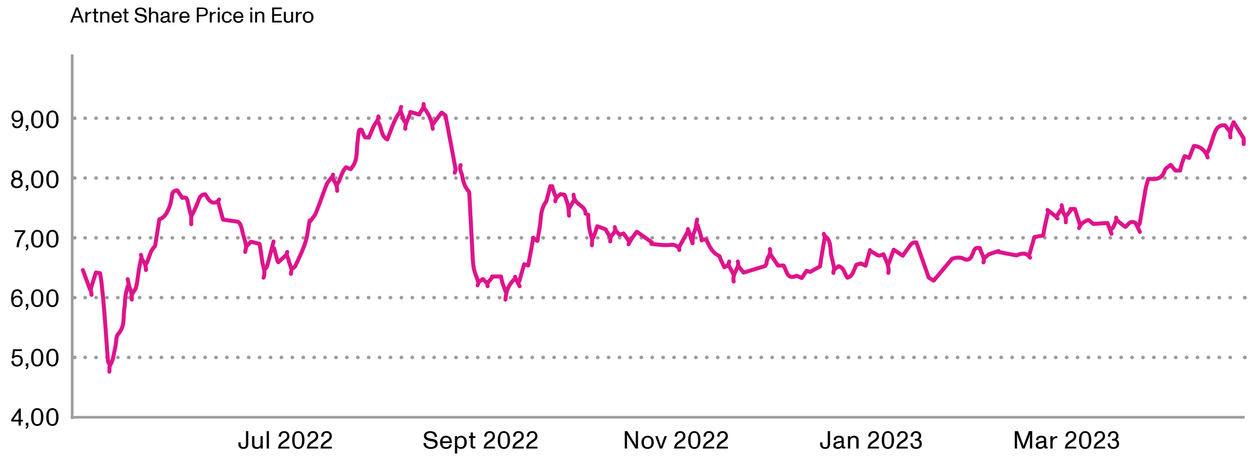
359,000+

Facebook

215,000+

LinkedIn

Performance Measure
The Artnet share



€52m	€9,60	€4,70	-34%
Market Cap	52 Week High	52 Week Low	12 Months

Strong Financial Structure

Asset light and low risk two-sided Marketplace

Diverse revenue streams

Valuable unique data asset

Long term, low churn partnerships

Message from the Editor in Chief
Artnet News

Andrew Goldstein, Editor in Chief

'Last year was a year of challenges, anxiety, and disruption in the art market and art world writ large—which, of course, made it a critical time for world-class art journalism.'

2022 was a watershed for Artnet News, furnishing proof-of-concept that increasing engagement with art around the globe and across generations demands unprecedentedly robust art coverage, and that this discerning, highly valuable audience can scale.

Readers turned to us in droves to understand the changing landscape. Over the course of the year, we surpassed a record 158 million pageviews, making us the most widely read art publication in the world by far. Down on the other end of the funnel, Artnet News Pro—our subscription product providing analyst-caliber insights to art market participants at the highest level—grew rapidly as well.

Meanwhile, average downloads of our Art Angle podcast have grown to 10,333 per episode, a 61 percent YoY increase, while total downloads have surpassed 1.5 million. Finally, our biannual Intelligence Report, produced in partnership with Morgan Stanley, continued its track record of excellence via investigative deep dives into the art market and illuminating data visualizations supported by the Artnet Price Database.

Growth of this pace demands organizational evolution as well, and over the course of 2022 we embarked on an industrial revolution of sorts at Artnet News, re-envisioning our operational structure to create clear lines of command and ownership, digging deeply into our audience data to become more scientific about reader engagement, and making several key hires—most notably our new Managing Editor, Sarah P. Hanson—to enable us to build a more efficient operation.

In 2023, we intend to complete this evolution, furnishing a launching pad for future growth, increased revenue, and ever-more-ambitious journalism.

2022
Company Development

Artnet AG has built its reputation on a unique, synergetic product offering, a visionary company for the modern collector.

2022 saw steady growth and the completion of key components of Artnet's technological infrastructure rebuild, setting the foundation for transformative front end platform renewals and robust continued growth.

Within the **Media** segment, Artnet News continued its strong upward trajectory and solidified its position as the industry's leading content vertical, reaching over 158 million pageviews. Harnessing the power of Artnet's data, our global team of acclaimed journalists publish market driven insights and critical analyses for the art world professional. An essential product for especially art market professionals, Artnet News Pro also ensures that Artnet can maintain its high journalistic standards while also paving the way to increased profitability. The growth in traffic allowed for unprecedented advertising revenue growth of 32% to 8.2 Million USD during the 2022 financial year (2021: 6.2 Million).

2022 was a steady yet memorable year for the **Data** segment. Published in a Beta environment during Q4 2022, the renewed Price Database is built on a new API-first architecture, introducing the opportunity for transformational new data delivery formats. A mobile optimized design will ease access to our global user base and drive search volume, and the implementation of elastic search introduces vast new search possibilities. Artnet's Data Science team has produced intelligent, reactive analytics that generate deep insight and understanding of the art market. Artnet has invested in its core product, and is excited for the new era of transparency that the new Price Database will bring as it strives towards its vision of creating an efficient, global art market.

Finalized at the end of the third quarter, Artnet piloted its entry into Financial Services in the fourth quarter of 2022. Fine Art Lending refers to the practice of taking out loans against Fine Art & Collectibles. This provides borrowers with additional liquidity to expand their collections or fund new alternate investments, without selling items from their collections or disrupting their investment strategy. The overall market size of outstanding loans against art reached over $25 billion in 2021, a 10% growth rate YoY, and is expected to grow to $31.3 billion in 2022. Core to the Artnet Group's vision is providing a holistic ecosystem for the global art market. As the industry's primary data provider, Artnet is a natural home for Fine Art Lending activities. By partnering with some of the world's leading AssetBacked Lending Providers, Artnet is pleased to o"er its customers a valuable additional amenity in the renewed Price Database.

Artnet's **Marketplace** Segment strives to deliver an accessible and efficient art market by providing global access to the world's fine art. Through partnerships with the leading international galleries and auction houses, Artnet offers a diverse, curated selection of over 280,000 artworks to an unparalleled global audience. Artnet Auctions is the fastest and most cost-effective way to transact fine art today, with a global team of specialists sourcing an expert selection of modern, post-war, contemporary art, and ultra contemporary art .

During the 2022 financial year, Artnet completed key operational steps in realizing the strong synergies between its business segments. Artnet Auctions and Artnet Galleries have been unified under shared leadership, with Colleen Cash named SVP, Marketplace. Under this new structure, Artnet will be able to drive value to its Gallery Partners while generating increased opportunities for Artnet Auctions and Private Sales.

Company Background and **Development**

Artnet.com AG was incorporated under the laws of Germany in 1998. In 1999, Management took the Company public on the Neuer Markt of the Frankfurt Stock Exchange. In 2002, Artnet.com AG changed its name to Artnet AG. On October 4, 2002, Artnet AG left the Neuer Markt and was listed in the General Standard of the Frankfurt Stock Exchange, a segment of the EU-regulated Geregelter Markt. Effective February 1, 2007, Artnet AG is listed in the Frankfurt Stock Exchange's Prime Standard, the segment with the highest transparency standards. Its principal holding is its wholly-owned subsidiary, Artnet Worldwide Corporation, a New York corporation founded in 1989.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as applied in the European Union.

Artnet hosted Panel at Cromwell Place in London during Frieze Week, 2022

Message from the Chief Operating Officer **Alanna Lynch**

Alanna Lynch, Chief Operating Officer

‘As we look ahead to 2023, we will continue to optimize our operations with a focus on sustainable growth and margin compliance’

2022 was a transformative year for Artnet as we implemented a new and improved operational structure, designed to enable the unification of our marketplace, scale our fast growing media business, and increase client satisfaction through more personalized and expert client service. All while continuing to improve the conditions for our people to do their best work.

We know that the lasting transformation, and ultimate scalability of our business is going to be achieved within high performing teams who all have a meaningful contribution to make and who are focussed on a shared goal. One of our key focus areas is our relentless pursuit of a high performance culture. Innovation is in our DNA and to this day remains a core part of who we are and how we measure performance. We take pride in having created a culture with high levels of psychological safety where teams can take moderate risks, voice their opinions, be creative and experiment without fear of failure. Transparent communication is another critical component of high performing teams, and as a result of quarterly town halls, monthly breakout sessions with executive management and an increased focus on internal communications, over 75% of employees ranked Artnet's internal communication preferably in the end of year survey.

Our talented team is a central part of our strategy and critical to the continued success of our business. In order to attract and retain the best talent in 2022, we worked towards building a more diverse, equitable and inclusive workplace, striking the right balance of recruiting new talent with fresh perspectives while also developing and retaining our existing team, celebrating 22 promotions, an average tenure of 4.1 years and 10 employees with a milestone 10+ years of service. We continue to provide equitable and competitive compensation and benefits, and support our teams safety and well being through our flexible and hybrid working model.

As we look ahead to 2023, we will continue to optimize our operations with a focus on sustainable growth and margin compliance, with the success of our team at the heart of everything we do.

Governance and **Organization**

The rights of Artnet AG shareholders are protected by law and the principles of corporate governance which govern the way Artnet AG operates

Artnet's Board of Directors is the strategic body of the Company that is primarily responsible for enhancing the Company's value and protecting its corporate interests, taking into account the social and environmental issues facing its business and, where applicable, the Company's mission statement. It also endeavors to promote the Company's long-term value creation, in particular by taking into account the social and environmental issues facing its business. Its principal assignments are to approve the Company's and the Group's major strategies and supervise their implementation; to verify the fair and accurate presentation of information about the Company and the Group; to protect its corporate assets; and to ensure that core business risks are fully accounted for in the management of the Company. It also ensures that procedures to prevent corruption and influence-peddling are implemented, and that a non-discrimination and diversity policy is in place, notably with regard to gender equality within the governing bodies of the Group and, on the recommendation of Executive Management, sets diversity targets for these bodies. Lastly, it acts as guarantor with respect to the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

Corporate Governance Report

Artnet attaches great importance to corporate governance. Artnet AG complies with the German Corporate Governance Code (GCGC) recommendations in the version dated February 7, 2017, published in the German Bundesanzeiger on April 24, 2017, except for the recommendations in No. 3.8 para. 3, No. 4.1.3 sent. 2, No. 4.2.1 sent. 1, No. 5.1.2 para. 2 sent. 3, No. 5.3.1, No. 5.3.2, No. 5.3.3, No. 5.4.1 para. 2, and section 7.1.2 sentence 3. Additionally, Artnet AG complies with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 ("Code 2019"), as published in the official section of the Federal Gazette on March 20, 2020, except for the recommendations in B.5, C.2, D.2, D.3, D.4, D.5, and G.1 to G.16, and will continue to comply with the recommendations in the future with the exceptions mentioned above. The Management and Supervisory Boards of Artnet AG have adopted the declaration of conformity with the Code detailed at the end of this report. It is published online at artnet.com/investor-relations.

Supervisory Board

According to the German Aktiengesetz, Artnet AG has a dual-pronged management and control structure, comprising a sole member of the Management Board and a three-person Supervisory Board. Management and control functions are strictly split in the dual-management system. It is not legally permissible to simultaneously work for the Management Board and the Supervisory Board. The tasks and responsibilities of these two bodies are clearly legally defined in each case.

The Supervisory Board monitors and advises the Management Board in conducting business. The Supervisory Board discusses the business growth and forecasts, as well as the strategy and its implementation at regular intervals. In addition, the Supervisory Board adopts the annual financial statements and appoints the members of the Management Board. The Supervisory Board has defined approval requirements by the Supervisory Board for transactions of fundamental importance. These include decisions or activities that have a fundamental impact on the Company's financial position or result of operations. The Management Board provides the Supervisory Board with regular, timely, comprehensive information on all issues of relevance to the Company with regard to forecasting, business growth, risks, and risk management.

The members of the Supervisory Board are independent in their decision-making, and are not subject to instructions or specifications by third parties. In addition, consulting, service, and certain other agreements between Artnet and the members of its Supervisory Board must be approved by the Supervisory Board. According to item 5.4.1 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition, which, whilst considering the specifics of the enterprise, take into account the international nature of the enterprise, potential conflicts of interest, age limits for the members of the Supervisory Board, and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

Management Board

The Management Board is responsible for the Company's management. It must uphold the Company's interests and endeavor to increase its sustained enterprise value. It is responsible for the Company's strategic orientation in agreement with the Supervisory Board. The Management Board cooperates closely with the Supervisory Board.

The Management Board ensures that statutory provisions are upheld and suitable risk management and risk control at the Company.

Directors' Dealing Transactions and Shareholdings **of Managing Directors & Supervisory Board Members**

During the financial year 2022, certain employees of Artnet, as authorized by the Management Board, Supervisory Board, and executives who have had access to the Company's information and who are authorized to make material entrepreneurial decisions, had the opportunity to purchase or sell. During the 2022 financial year, there were transactions of at least 20k EUR. These are listed in the Management Report.

Relationship with **Shareholders**

Artnet AG reports to its shareholders four times each financial year on business growth and the Group companies' financial position and the result of operations. The Annual General Meeting is held during the first eight months of each financial year, unless the company holds the Annual General Meeting later in the year under the Act to Mitigate the Consequences of the COVID-19 Pandemic under Civil, Insolvency and Criminal Procedure Law of March 27, 2020 (Federal Law Gazette I, p. 569). The general meeting resolves, among other things, issues including the appropriation of profits, the ratification of the Management and Supervisory Boards, and the auditor's election. Changes to the articles of incorporation and capitalization activities are resolved exclusively by the general meeting.

The Artnet Group values its shareholders and continually strives to foster a positive relationship with this key stakeholder group. To that end, Artnet sends regular updates to its shareholders and is always available for thoughts and feedback, via its Investor Relations website. Key points of contact can be found at the end of this report.

Message from the Chief Marketing Officer
Rob Baker

Rob Baker, Chief Marketing Officer

'In 2022 we reimagined the marketing function at Artnet to be laser-focused on driving conversions and revenue on our platform.'

To this end, the team has been restructured to support two audience goals: the acquisition of new users with a focus on quality site traffic, and the retention and engagement of existing users, to encourage them to engage in our products more often and to try new products in our portfolio.

As we look to unify, moving from a series of strong products to a compelling and coherent art business brand, we have embarked on two important initiatives: deeper research into our users, and a brand and messaging overhaul. The outcome of these projects will support an increased focus on audiences and help us deliver our broader mission to create brand affinity, build community, and provide utility among a growing user base.

In 2023, alongside continued refinement of our performance marketing operations and brand development, a key focus for the marketing team will be increased collaboration with new and existing brand and art partners to increase our revenue and extend our reach into new audience groups and regions.

Our **Products** and **Services**

Artnet AG comprises three business groups: Data, Media, and Marketplace. Each business group includes a selection of products and services.

Artnet AG was formed in 1998 as an independent information service provider for the art market. Artnet has modernized the way people buy, sell, and research art. Its products provide reliable and transparent information used by collectors, gallery owners, museums, and investors, and have become indispensable tools for independent market players.

Media

The Media Segment includes Artnet News, Artnet News Pro, Advertising, and Partnerships. Artnet News is a destination for the events, trends, and people that shape the art market and global art industry, providing up-to-the-minute analysis and commentary, with the highest possible cultural and data journalism standards. With over 51% market share, Artnet News is the most widely-read publication within the art industry, with more visitors than our top four competitors combined. Artnet News Pro is a subscription-based paywall, delivering data-driven, key market stories to industry professionals.

Marketplace

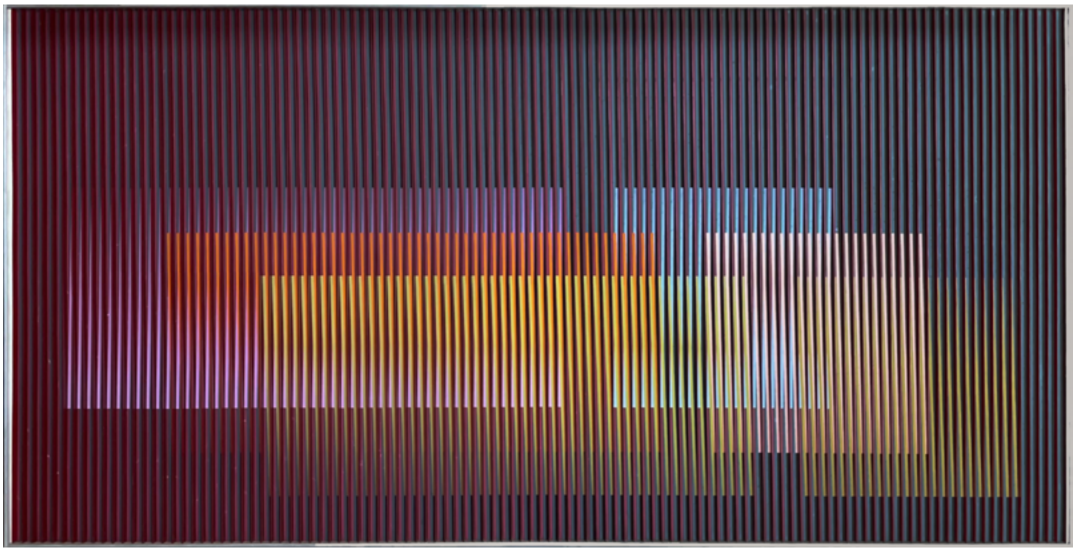
The Marketplace includes Artnet Auctions, ArtNFT, and the Gallery Network. The synergies between these three B2B and B2C products have produced the most widely-used online fine art transaction platform of the industry. Created in 2008, Artnet Auctions was the first online platform dedicated to buying and selling art. With the launch of Artnet's ArtNFT platform, Artnet continues its tradition of spearheading positive change and innovation for its customers. With approximately 1,100 galleries and over 280,000 artworks by over 23,300 artists from around the globe, the Gallery Network is the most comprehensive platform for galleries online. Through the Marketplace, Artnet has developed from a pure information service provider to an online transaction platform and has further expanded its leading position in the art market.

Data

The Data segment includes Artnet's industry-leading Price Database as well as Artnet Analytics, Market Alerts, and Art Secured Lending. Artnet has gradually built up its information services and transaction platform around its first product, the Price Database. The database was created as a response to the decentralized art market of the late 1980s. At the time, the market lacked transparency, which was a stumbling block for buyers in particular.

The Price Database provides diverse markets with a global standard of comparison, listing fine art, design, and decorative art auction results, including more than 378,000 artists and designers. Today, the Price Database contains more than 16 million auction results from more than 1,878 international auction houses, dating back to 1985.

Complementing the Price Database are the Market Alerts, Analytics, and Art Secured Lending. The Market Alerts make subscribers aware whenever an artwork from one of their favorite artists comes up for sale in galleries or auction houses. Powered by the Price Database, Analytics reports are custom made by Artnet's data science team and provide comparables between fine art and other assets, such as gold or the S&P500. This is particularly useful for banks, family offices, and collectors.



Carlos Cruz-Diez, *Physichromie No. 2205,* 1987, sold on Artnet Auctions for 175,000 USD

Message from Artnet's President **William B. Fine**

Bewster William Fine, President, Artnet Worldwide Corporation

'We're looking forward to continuing our efforts for the good of the art community in 2022 and beyond.'

Nearly 35 years ago, Artnet's founder Hans Neuendorf recognized the importance of identifying emerging artists, new trends, technologies, and innovations - all with the aim of expanding and improving the art industry. With this in mind, Artnet Auctions was founded; the precursor to not only Artnet's Marketplace, but to all online transactions industry-wide.

In the beginning, there were only a few collectors brave enough to transact online. Fast forward to 2023, and the online art market makes up nearly 16% of all transactions, with Sotheby's reporting that 91% of their bids were placed online - a huge leap in a short period of time. The sustainable business model of Artnet Auctions is based on the support it receives from the entire Artnet ecosystem: not only our gallery partners, but also the Media and Data segments.

The story of Artnet Auctions is just one example of Artnet's pioneering impact on the art world, and we're looking forward to continuing our efforts for the good of the art community in 2023 and beyond.

Report of the Supervisory Board

Dr. Pascal Decker, Chairman of the Supervisory Board, Artnet AG

In the reporting year 2022, the Supervisory Board performed the duties required by law and by the Articles of Association, and monitored the management of the company.

There were no personnel changes on the Supervisory Board during the reporting year 2022. The board was formed by Dr. Pascal Decker as Chairman, Prof. Dr. Michaela Diener as the Deputy Chairman, and Hans Neuendorf (founder, Artnet AG). The sole member of the Management Board of Artnet AG during the reporting period was Jacob Pabst, who has been employed by the company since 2000. In the reporting period, the Supervisory Board initiated the expansion of the Management Board in order to distribute management responsibility across more shoulders in the future and to strengthen the areas of technology and strategy development in particular.

In fiscal year 2022 and up to the publication of the 2022 Annual Report, the Supervisory Board held nine meetings, all of which were attended by all Supervisory Board members. The meetings were held on:

January 31 (face-to-face meeting in Berlin) and

March 21, 2022 (face-to-face meeting in Berlin, Mr. Pabst via video on agenda item 2, Mr. Riedl and Mr. Kohlschmitt from Ebner Stolz via video on agenda item 3) on

April 25, 2022 (face-to-face meeting in Berlin). April 2022 (attendance meeting in Berlin with Mr. Pabst, Mr. Riedl and Mr. Kohlschmitt of Ebner Stolz and Sophie Neuendorf via video on agenda item 2), on

July 11, 2022 (attendance meeting in Berlin with Mr. Pabst, Mr. Albert Neuendorf on agenda item 3 via video), on

August 17, 2022 (attendance meeting in Berlin, Dr. Heising of ATG Treuhand GmbH by telephone on agenda item 2, Mr. Pabst by video on agenda items 2 and 3), on
August 26, 2022 (constituent meeting in Berlin following the Annual General Meeting), on

September 26, 2022 (in-person meeting in Berlin, video link with Mr. Pabst from the beginning, Mr. Albert Neuendorf on items 7 and 8, Mr. Riedl, Mr. Kohlschmitt, Mr. Schucht, Mr. Schützenmeier, (Ebner & Stolz) on items 3, 4 and 5), on

September 27, 2022 (face-to-face meeting in Berlin, Mr. Albert Neuendorf on agenda item 3 by video).

October 26, 2022 (online with Mr. Pabst), on

December 12, 2022 (via video with Mr. Pabst and Mr. Albert Neuendorf) and on
March 06, 2023 (in-person meeting in Berlin).

On May 04, 2022, the meeting to approve the financial statements was held with the auditors from Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, via video conference.

The Supervisory Board received detailed information from the Executive Board in oral and written reports on business development, corporate strategy and all important measures. The management reports containing key figures on the Company, which the Executive Board sent to all members of the Supervisory Board on a monthly basis, were essential for reporting. The management reports, the quarterly communications and the 2022 half-year report were discussed with the Executive Board. The Board of Management regularly exchanged views with the Supervisory Board on issues of fundamental importance for business policy and corporate strategy.

During the regular reports from the Management Board, the Supervisory Board pointed out that Artnet, as the world's largest platform for art with approximately 60 million users per year, has a strong market position that can be further expanded with bold innovations and novel services. This includes, in particular, the systematic development of the company's unique digital data treasure trove for the various customer groups.
The Supervisory Board also received reports on innovations and new products during the year.

As announced, the Supervisory Board subjected the correctness of the Company's management in recent years to an external review by an auditor. The results of the external review were presented to the shareholders at the Annual General Meeting on August 26, 2022. The auditor came to the conclusion that the salaries examined were within the normal range. The 'external consulting fee' which was also investigated, was to be regarded as high, but due to the wealth of experience and contacts "of considerable value to the company he is advising." The external consulting contract for Hans Neuendorf expired on December 31, 2022, and was not renewed.

The annual financial statements prepared by the Management Board for fiscal year 2022 in accordance with the German Commercial Code (HGB) and the consolidated financial statements in accordance with IFRS, together with the management report and the group management report, were audited by the auditing firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg.

The Supervisory Board satisfied itself of the independence of the auditors. The auditors came to the conclusion that both the annual financial statements prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with IFRS give a true and fair view of the net assets, financial position and results of operations for the fiscal year and issued an unqualified opinion in each case. Following completion of the audit, the auditors attended a Supervisory Board meeting on April 17, 2023 to discuss the annual financial statements and explain the results of their audit.

The Supervisory Board approved the results of the audit by the auditors. The Supervisory Board examined the annual financial statements and the consolidated financial statements of Artnet AG as well as the associated management reports. Following the final results of its own detailed examination, the Supervisory Board raised no objections. The Supervisory Board approved the annual financial statements of Artnet AG prepared by the Management Board in the version audited by the auditing firm by resolution dated April 17, 2023. The annual financial statements as of December 31, 2022 are thus adopted.

We would like to thank the Management Board and all employees for their work in the past year.

Berlin, May 2, 2023
For the Supervisory Board

Dr. Pascal Decker
Chairman of the Supervisory Board

David Yarrow, *Desert Flight,* 2012, sold on Artnet Auctions to benefit Earthday Org.

ESG **Report**

The publication of Artnet's Corporate Social Responsibility Report highlights the group's longstanding tradition of ethical and philanthropic commitments.

About this report
The ESG Report is published once a year in German and English and covers Artnet AG and its subsidiaries Artnet Worldwide Corp and Artnet Ltd. Any deviation from this is mentioned in the footnotes.

The report was prepared in accordance with globally accepted reporting standards and provides information on Artnet's objectives and measures relating to different stakeholders, which include our clients, employees, suppliers, shareholders and society and the environment in general. We present the general guidelines of our sustainability vision and some of the Key Performance Indicators related to our non-financial report for the year 2022. This is the summarized, non-financial ESG (Environmental, Social, Corporate Governance) statement for the year 2022, which has been reviewed by the Supervisory Board. To improve readability, we use gender-neutral language. Still, where this is not possible, we may use masculine or, in some instances, feminine terms. Regardless of gender, these usages always implicitly refer to all sexes.

Business Model of the Artnet Group:

Artnet is listed in the Prime Standard of the Frankfurt Stock Exchange.

Artnet AG's principal investment is its wholly owned subsidiary, Artnet Worldwide Corporation, which was incorporated in New York in 1989. Artnet AG ("Artnet" or the "Company") and Artnet Worldwide Corporation ("Artnet Corp.", together the "Artnet Group", the "Group" or the "Company") operate under the name "Artnet".

Artnet is the leading online art market platform worldwide, with over 238 million pageviews in 2022. Providing up-to-date information on market movements, galleries, price trends, exhibitions, news and reviews, it enables art lovers, collectors and art professionals to navigate the global art market.

Artnet has three primary business segments: Data, Marketplace, and Media.

Statement from the Supervisory Board
Fine art and culture define us as individuals and nations and thus remain central to Artnet's Corporate Social Responsibility strategy. It guides Artnet's activities relating to the environment, the community, and stakeholders.

Artnet helps people worldwide to research, discover, buy, and sell fine art and collectibles online. Efficiency, transparency, and sustainability form the core of Artnet's business model to empower its clients and generate attractive returns for its stakeholders in a sustainable way.

CSR Mission Statement

Artnet has been a pioneer within the art market for over 30 years. By engaging with ESG reporting and initiatives, Artnet continues its ethos of spearheading positive change and sustainable business practices.

Artnet strives to continuously offer an environment where its employees, customers, and stakeholders can sustainably pursue their passions.

ESG Goals and Strategy

Artnet values its role in assisting clients in engaging with fine art and collectibles. Whether Artnet's clients are researching, evaluating, buying, or selling art, they count on the Company to understand both the cultural and commercial value of art —and to ensure the responsible sale of their fine and decorative art in a transparent, efficient, and sustainable way.

In 2020, Artnet adopted a CSR strategy, defined key areas of responsibility, and set concrete goals for 2025. This 2022 report continues with and expands on the strategy set in 2020. The CSR strategy is based on its vision for a more sustainable art business, corporate responsibility and social engagement.

Artnet HQ at 233 Broadway, NY

Employees
Artnet's corporate culture guides the interaction with its team. It enables Artnet to create an agile and motivating environment that fosters ideas and talents, promotes teamwork, and encourages employees to find a healthy work-life balance.

To that end, Artnet offers its employees education and training opportunities ranging from financial planning, technology, cybersecurity, and management, to classes on healthy living. Artnet also provides mandatory workplace training on ethical conduct, sexual harassment, and equality.

Employee satisfaction is a crucial indicator of company performance. Satisfied employees identify with their employer and commit to a company in the long term. To that end, Artnet measures its performance regularly and recently carried out an anonymous online survey for employees at all its offices. The goal of these surveys is to regularly measure employee satisfaction to quickly and efficiently affect positive change.

Survey results:
- 50% of our employees value the ease of working with colleagues highest within their office experience.
- All employees value the flexible combination of being able to work from home and the office. 87% of employees state working from home more efficiently, or just as efficiently as before.
- 55.3% of employees are **very likely** to recommend Artnet to a friend/colleague, and 29.2% are **likely** to recommend Artnet to a friend/colleague — indicating a high level of employee satisfaction.
- 75.4% of employees find working at Artnet highly engaging and rewarding
- 69.2% of employees are very proud to be part of the Artnet team
- 56% of employees strongly agree and 27.1% agree that Artnet promotes talent from within the company
- 66% of employees strongly agree and 24.3% agree that artnet is a place of equal opportunity
- 60% of employees strongly agree and 24.3% agree that artnet values diversity.

The Company's goal is to always promote from within. Artnet only searches for external candidates if it requires capabilities it does not possess internally.

The Artnet Group strives to promote equality, diversity, and opportunities within the workplace and has a zero-tolerance policy for any type of discrimination, harassment, or bullying.

To ensure a safe, friendly and fair working environment, Artnet implemented the following measures in 2016:
- An anonymous help and counseling center where people can come forward and seek advice without revealing their identity.
- Mandatory annual workplace training on the various forms of harassment and how to prevent and deal with it.
- An HR department that is seen as a partner and that listens to employees' questions and concerns.

The employee data illustrates Artnet AG's commitment to an equal and diverse work environment. As the data shows, Artnet employees appreciate that equal opportunities are actively promoted within the company.

Indicators

135 Employees

Berlin 11 New York 115 London 9

93

women were employed, which represents 67.88% of employees. In comparison, 81 were women employed in 2021, which represented 65.8% of employees.

26

women in management and C-suite positions, which represents 67% of these positions. In comparison, 21 women were in management and C-suite positions in 2021, which represent 65% of these positions.

21

employees were supported during maternity leave over the past three years.

Robert Mapplethorpe, *The Wrestler*, 1989, sold on artnet Auctions to benefit GLSEN

Costs for employee training/education
Artnet strives to provide training and education possibilities to all employees. During 2020, the amount of training we could provide was reduced due to COVID-19 related restrictions.
2018: 28,023 USD
2019: 65,345 USD
2020: 14,368 USD
2021: 6,500 USD
2022: 37,763 USD

Goals: In 2020, Artnet set itself the goal of increasing employee satisfaction to 70% by 2025. The company already achieved this goal in 2021. For fiscal year 2023, Artnet aims to stabilize the high level of employee satisfaction. By 2025, employee satisfaction is expected to increase to 80%. As Artnet has transitioned to working from home offices in response to the COVID-19 pandemic, it is especially important to assess employee satisfaction on a regular basis. Employee satisfaction is measured by the percentage of employees who would recommend Artnet to others.

Artnet will regularly (at least semi-annually) assess employee satisfaction through anonymous surveys and encourage employees to contact senior management and/or Human Resources with their ideas, requests and concerns.

Society
Artnet sees the art industry as an interconnected ecosystem, and thus feels a great responsibility in affecting positive change and helping it achieve sustainable growth.

To that end, Artnet strives to be a responsible and engaged corporate citizen in supporting not-for-profit organizations and charities.

City Harvest Virtual Food Drive: This year, Artnet worked with City Harvest Virtual Food Drive. As New York City continues its long recovery from the COVID-19 crisis, unemployment and food insecurity rates remain alarmingly high. Nearly 1.5 million New Yorkers are now experiencing hunger, including 1 in 4 NYC children. In an effort to ensure everyone in our city has access to fresh, nutritious food during these difficult times we are partnering with City Harvest on a Virtual Food Drive. Artnet made a donation to City Harvest and we invited our employees to do so if they are able.

The Bowery Mission: For the past three years, Artnet has partnered with The Bowery Mission to donate 200+ 'Blessing Bags.' The Bowery Mission, the oldest Christian rescue mission in New York, hosts a Thanksgiving meal for the homeless or people in need. After the dinner, each guest receives a care package (Blessing Bag).

New York Foundation for the Arts: Artnet also partnered with the New York Foundation for the Arts . New York Foundation for the Arts (NYFA) is a 501(c)(3) service organization that provides artists, emerging arts organizations, arts administrators, and students with critical support, professional development tools, and resources for defining and achieving career success. NYFA was established in 1971 to serve individual artists throughout New York State. Since then, NYFA have extended our programs and services throughout the United States and internationally and expanded our scope to serve additional members of the arts community. Artnet works alongside NYFA to provide employment opportunities to students and rising artists in the New York area. In 2022, we have provided over 5 employment opportunities in the form of internships. Once the internship is concluded, we retain their resume internally and reach out when an opportunity arises that is similar to their internship.

Herfeh:Honarmand: During 2022, Artnet also made donations to help protect Iran's cultural heritage. The donations were made to Herfeh:Honarmand, an Iranian art and culture magazine which has an over 20 year history of highlighting artists and culture from the region. Because of the socio-economic unrest, sanctions, and inflation, this reputable magazine was about to shutter. Artnet's donations have thus helped preserve freedom of expression, culture, and art-related jobs in Iran.

Goals: We aim to support at least two local charities financially or non-financially within all the cities where we have offices by 2025.

Philanthropy

We use our online auctions platform as an opportunity for Artnet and our clients to give back to society by donating a portion of our proceeds to charities. The below-listed auctions benefited several diverse charities which promote equality, help the homeless, and assist emerging artists.

Richard Serra, *Horizontal Reversal*, 2017, sold on Artnet Auctions to provide aid to the humanitarian crisis in Ukraine

EARTHDAY: Land, Sea and Sky (April/May 2022) offered a selection of photographs that embrace the elements and celebrate the nature of our world. A portion of the proceeds from the auction benefitted EARTHDAY.ORG's The Canopy Project, which has planted tens of millions of trees, working worldwide to strengthen communities.

Editions for a Cause (May/June 2022) presented in partnership with the International Fine Print Dealers Association (IFPDA) - offered an auction of coveted editions to benefit Ukraine relief initiatives. All of IFPDA's proceeds from the auction, in addition to 50% of Artnet's buyer's premium, were allocated to initiatives by Global Empowerment Mission (GEM) and World Central Kitchen (WCK) focused on providing aid to the humanitarian crisis in Ukraine - in total, we raised $94,000 for these organizations.

Embrace: Celebrating Pride (June 2022) was a fresh take on the annual sale (formerly known as Queer Legacy), in partnership with GLSEN. The cross-category sale achieved $62K in revenue - up +66% from the 2021 iteration of the sale - with 10% of the proceeds going towards a donation to the organization.

Goals: Artnet aims to expand its charitable initiatives by offering at least five charity auctions or events per year by 2025. Artnet Auctions will host them and may partner with other art business institutions to maximize the given charity's returns and promote a sustainability mindset within the art industry.

Products and Services

Artnet's mission is to provide products and services that help customers effectively meet the challenges of tomorrow's art business and benefit from its opportunities. Though the art business has been steadily evolving over the past 15 years, the past two years propelled it into the digital age. Artnet is uniquely positioned to assist its customers in embracing the digital opportunities — enabling them to pivot to sustainable business models with the aid of Artnet's digital product suite.

Goals: Artnet's goal is to provide its B2B customers with a sustainable platform through which they can conduct much of their business. The word "sustainable" is used here to describe a platform whose product is not only more cost-efficient, but also more environmentally friendly (than, for example, retail store sales) and designed for longevity. Using Artnet to market, appraise and sell art and collectibles is more environmentally sustainable and efficient than the current brick-and-mortar retail business model. Our B2B customers reduce their energy consumption by engaging with their customers virtually instead of physically. They save paper by presenting their inventories online instead of in a catalog.

Data Protection and Compliance

Sustainable corporate governance goes hand in hand with integrated and transparent business processes. As a company with a digital network and data collection at the core of its business model, Artnet processes large amounts of information. Data protection and compliance are, therefore, essential aspects of Artnet's business practice.

Andy Warhol, *Giant Panda (from Endangered Species),* 1983, sold on Artnet Auctions for 175,000 USD

Potential breaches pose a risk to Artnet's business and could have significant consequences for the organization. Artnet is, therefore, very aware of its tremendous responsibility in handling the personal data of users, customers, employees, business partners, and other third parties. Artnet ensures the strict confidentiality of personal data, handles it especially carefully and protects it to the best of its ability, meeting and in many cases surpassing relevant legal and regulatory standards.

In addition to statutory requirements, Artnet follows the recommendations of the German Corporate Governance Code as a guideline for good corporate governance. The German Corporate Governance Code provides guidance and suggestions on managing and supervising companies listed on the stock exchange in Germany and is of great importance to the Artnet Group.

Goals: Artnet will continue to conduct bi-annual reviews to ensure that it meets all existing and new compliance and data protection regulations and suggestions.

Environment
Artnet strives to drive positive change and build a more sustainable future, not only for the art business but for culture and its enjoyment on a global scale. Artnet continues to look at all aspects of our business to identify opportunities to reduce our environmental impact.

Environmental sustainability is of the utmost importance to Artnet and increasingly important for its stakeholders - as a digital corporation, the group strategy aims to contribute to a more sustainable business model within the art industry. The topic of the environment is a matter of social responsibility, and, as a service provider, Artnet wants to contribute by reducing its emissions as much as possible. Artnet used the past year to identify the most significant contributors to its carbon emissions as a digital company without any major infrastructure.

Artnet analyzed the areas in which digital service providers possibly contribute to carbon emissions. The analysis revealed that companies with a digital business model avoid carbon emissions by lowering energy consumption in their operations, limiting business travel, and by sustainable supply chain management.

Costs for electricity use (Amount used) over the past four years. The decrease is due to the efficient storage of data and the COVID-19 related pivot to working from home.

2018: 67,822 USD
2019: 70,267 USD
2020: 57,372 USD
2021: 60,870 USD

2022: 57,680 USD

Goals: The COVID-19 pandemic was a chance to not only reduce business travel for the time being but to pivot to a more environmentally sustainable way of conducting our business in the longer term. Thus, it is Artnet's goal to implement this change of conducting business in the long term to limit carbon emissions and transact more efficiently.

In terms of scope 3 emissions further down the value chain, Artnet aims to educate our B2B clients about the governmental suggestions and benefits of sustainable business practices within the art industry. To that end, Artnet will publish guidelines for clients periodically, as well as educate them with the help of our client services team. Scope 3 emissions include greenhouse gas emissions from business travel, waste disposal, and commuting to work.

Risk and Opportunities

The Artnet group takes a comprehensive approach in terms of risks, including evaluating and quantifying when possible the potential impacts and probability of occurrence. Our risk early-warning processes allow us to quickly identify and systematically deal with existing risks while keeping the Management Board, Supervisory Board and shareholders fully informed about the Company's risk exposure at any given time.

We have identified cybersecurity, specifically data breaches and data theft, as the main area of risk facing us over the coming year. With art businesses globally increasing their online presence, the risk in terms of cybersecurity has increased. Having said this, during 2021 and 2022, our systems continued to be state of the art, were cloud-based and 100% operational, despite the very strong traffic increase to the website.
Digitization is an opportunity for Artnet. It substantiates our digital business model and gives art market professionals and collectors confidence in trading online, significantly expanding our total addressable market. This is reflected in the significant revenue increase in our Media segment and the traffic growth on our website over the past year.

The expected transfer of wealth and asset allocation changes resulting from the economic downturn also present an opportunity. Interest in valuing private collections, selling them and reinvesting them in other art-related assets is rising. Artnet is uniquely positioned to provide both the tools for valuations of artworks and an online platform for processing transactions.

Gerhard Richter, *Cage 1-6 (P19),* 2020, sold for 175,000 USD on Artnet Auctions

Corporate **Governance**

Declaration of Corporate Governance Pursuant to Section 161 AktG of the German Commercial Code

Artnet attaches great importance to corporate governance.

The legally required annual declaration of compliance with the German Corporate Governance Code was last issued by the Management Board and Supervisory Board of Artnet AG. The declaration has the following wording.

The Management Board and Supervisory Board of artnet AG hereby declare, pursuant to Section 161 of the German Corporate Governance Code, that artnet AG has complied with the recommendations of the German Corporate Governance Code (Code) in the version of December 16, 2019, published in the Federal Gazette (Bundesanzeiger) on March 20, 2020, since the last declaration of conformity on March 22, 2021, and will continue to comply in the future, with the following exceptions.

1. Age limit for members of the Board of Management (B.5 of the Code)

artnet AG does not consider such a regulation to be appropriate, as blanket age limits would inappropriately restrict the Supervisory Board's freedom of decision when electing members of the Management Board.

2.Age limit for members of the Supervisory Board (C.2 of the Code)

Artnet AG does not consider an age limit for members of the Supervisory Board to be appropriate, as blanket age limits would inappropriately restrict shareholders in their freedom of choice when electing members of the Supervisory Board.

3. Formation of committees (D.2, D.4 sentence 2 and D.5 of the Code)

The Supervisory Board of artnet AG consists of only three members. It therefore does not make sense for it to form committees from among its members, such as a nomination committee, especially since committees with a quorum would themselves have to consist of at least three members. However, Section 107 (4) Sentence 2 AktG, as amended by the Financial Market Integrity Strengthening Act (FISG) of June 3, 2021, stipulates that a three-member Supervisory Board is also the Audit Committee. Against this background, the Company now considers recommendations D.3 and D.4 sentence 1 of the Code concerning the formation of an audit committee to be fulfilled, unlike in previous years. However, this is accompanied by the fact that the Chairman of the Supervisory Board at artnet AG is also the Chairman of the Audit Committee in accordance with section 107 (4) sentence 2 of the AktG, which represents a deviation from recommendation D.4 sentence 2 of the Code (no identity of the Chairman of the Supervisory Board and the Chairman of the Audit Committee).

4. Recommendations on Management Board Compensation (G.1 to G.16 of the Code)

The current compensation system for the Management Board corresponds to the service agreement currently concluded with the CEO, which still has a remaining term until 2024. This system was presented to the Annual General Meeting on December 23, 2021, but was not approved by it. The Supervisory Board will take this as an opportunity to thoroughly review and revise the existing compensation system. In doing so, the Supervisory Board will also aim to achieve the greatest possible conformity with the recommendations of the Code, to comprehensively reflect the expectations of shareholders and other stakeholders of artnet AG, and to provide even more holistic incentives to promote the business strategy and the long-term development of the Company. It is intended that the remuneration system, which has been reviewed and revised in this way, will then be presented again for resolution at the Annual General Meeting in 2022.

Berlin, 1. February 2023

Jacob Pabst
CEO

Dr. Pascal Decker
for the Supervisory Board

Responsibility Statement

To the best of all knowledge, and in accordance with the applicable reporting principles, the following consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Artnet AG. Artnet AG's Management Report includes a fair review of the development and performance of the business, as well as the position of the Group, along with a description of the principal opportunities and risks attributed to the expected Group development.

Berlin, April 23, 2023

Jacob Pabst
Chief Executive Officer, Artnet AG

Group Management Report

Basic principles about the **Artnet Group**

Business Model and Artnet Group Organization
Artnet AG, Berlin, is a holding company listed on the "Geregelter Markt" in the Prime Standard segment of the Frankfurt Stock Exchange. Artnet AG's principal holding is its wholly-owned subsidiary, Artnet Worldwide Corporation, formed in 1989 in New York. Artnet AG ("Artnet" or the "Company") and Artnet Worldwide Corporation ("Artnet Corp.," collectively the "Artnet Group", the "Group", or the "Company") operate under the trade name "Artnet."

Artnet has three primary operating segments: Data, Marketplace, and Media. With over 238 million page views in 2022 across its domains, Artnet is the leading art market platform. The provision of timely information about market movements, galleries, price developments, exhibitions, news, and reviews enables art enthusiasts, collectors, and art professionals to navigate the art market.

28 % Data	**37 % Marketplace**	**35 % Media**
Price Database	Gallery Memberships	Artnet News
Data Science & Analytics	Auction House Partnerships	Artnet News Pro
	Artnet Auctions	Advertising

The most accurate and comprehensive archive of more than 15 million illustrated auction records from more than 1.900 auction houses dating back to 1985. The Price Database is an industry critical tool.

Artnet Analytics provides ML generated market insights and custom analytics reporting.

Access to a leading global network of galleries, auction houses, artworks, artists and events. Artnet hosts around 250,000 artworks for sale online, with an estimated total value of $3.5bn.

Artnet Auctions provides online-only timed auctions for Postwar and Contemporary paintings, prints, photographs and sculpture. The fastest way to buy and sell art 24/7, with the lowest transaction costs anywhere.

24-hour global news and media coverage of the events, trends & key players that shape the art market. Artnet News is the world's most read art news provider, with a team of acclaimed international journalists.

Offering customized packages allowing clients to run global or geo-targeted campaigns across the platform, Artnet partners with leading art market players as well as high profile luxury brands.

Media

Artnet News is the world's dedicated 24-hour international online art world newswire. It informs, engages, and connects members of the art community to the events, trends, and people shaping the market and global art industry through timely articles and insightful opinion pieces. Artnet News has a larger audience than the next four art focused content publishers combined.

With the launch of **Artnet News Pro,** the new partial paywall, Artnet News offers subscribers market- critical, data-driven editorial. Harnessing Artnet's Data, our journalists give our readers an unparalleled level of insight into the art market.

Artnet News attracts an international audience that is a desirable target market for fashion and luxury brands. Media revenue increased 38% through 2022 (2021: 6,685k USD) continuing on its strong growth trajectory. Sponsorships and brand partnerships were also an increasingly significant revenue driver as the team pursues larger scale bespoke opportunities that deliver strong margins and drive brand alignment and value to artnet's audience.

Media
Highlights 2022

38% revenue growth
in Media

♦

Partnerships with Cadillac x Frieze New York and
Royal Salute x Tate Britain

♦

Over 51% market share
in fine art Vertical

♦

158 Million pageviews;
58% increase YoY

Data

The Price Database is an online database of more than 16 million (2021: 15 million) color-illustrated auction results from all of the world's leading international auction houses. Composed of the **Price Database Fine Art and Design** and the **Price Database Decorative Art,** this product introduced price transparency to a historically opaque market. The Price Database is a B2B and B2C subscription product with a diverse client base, including appraisers, dealers, auctioneers, wealth managers, banks, family offices, and private and government institutions such as the IRS and the FBI. Subscribers to the database receive access to upcoming auction information, recent auction results, and auction records dating back to 1983, as well as the up-to-date and impartial assistance with the appraisal value of artworks.

At the time of publication, the renewed Price Database has already been released for all customers. Artnet has invested in its core product, and is excited for the new era of transparency that the new Price Database will bring as it strives towards its vision of creating an efficient, global art market. The renewed Price Database is built on a new API-first architecture, introducing the opportunity for transformational new data delivery formats. A mobile optimized design will ease access to our global user base and drive search volume, and the implementation of elastic search introduces vast new search possibilities. Artnet's Data Science team has produced intelligent, reactive analytics that generate deep insight and understanding of the art market.

The Price Database provides a vital tool for private collectors to appraise the works they own and evaluate opportunities at upcoming auctions or on the dealer market. Dealers and auctioneers rely upon comparable sales from the Price Database to support the valuation and sale of important works of art.

Partnerships with **Artfacts** for Primary Market Data as well as Berlin's renowned **Humboldt University** for NFT-related data, provide additional data sources that drive value and create unique data depth and breadth.

Market Alerts inform subscribers by email when artworks by their favorite artists come up at auction (including Artnet Auctions), are featured in upcoming events, or are offered through Artnet Galleries.

Artnet Analytics is also part of the Data segment. Reports created by the Data Science team analyze the market development of artists, art movements, art genres or a selection of artworks, and include comparisons to more traditional investments including equities, government debt, and commodities.

Data
Highlights 2022

New data architecture and mobile-optimized Price Database product

♦

Art secured lending product introduced, in partnership with leading specialized loan providers

♦

Artnet Analytics: revenue doubled YoY

♦

Biannual Intelligence Reports published, sponsored by Morgan Stanley

Finalized at the end of the third quarter 2022, Artnet piloted its entry into Financial Services. Fine Art Lending refers to the practice of taking out loans against Fine Art & Collectibles. This provides borrowers with additional liquidity to expand their collections or fund new alternate investments, without selling items from their collections or disrupting their investment strategy. The overall market size of outstanding loans against art reached over 25 billion USD in 2021, a 10% growth rate YoY, and is expected to grow to $31.3 billion in 2022. (Source: Deloitte Art & Finance Report)

The Price Database's unique quality was again highlighted with the publication of the bi-annual Artnet Intelligence Reports — published for the 2022 spring and fall auction seasons, sponsored by Morgan Stanley. The data science team helps create these mission-critical reports of current art market trends in collaboration with the news team.

Leveraging insights gained from the Price Database, Artnet's data science team creates custom reports for auction houses, banks, insurance companies, wealth managers, and others. Valued between 500 USD and 5,000 USD per report, Analytics Reports offer valuable insight into the art market with revenue increasing more than 100% in 2022 as market participants increasingly turn to data to drive decision making.

Core to the Artnet Group's vision is providing a holistic ecosystem for the global art market. As the industry's primary data provider, Artnet is a natural home for Fine Art Lending activities. By partnering with some of the world's leading Asset Backed Lending Providers, Artnet is pleased to offer its customers a valuable additional amenity in the renewed Price Database. Artnet is proud to launch the program with The Fine Art Group and Luxury Asset Capital as the primary loan providers.

Barbara Kruger, *I shop therefore I am,* available on Artnet Galleries

Marketplace

Artnet's Marketplace segment includes Artnet Galleries as well as Artnet Auctions. The Marketplace is the industry's leading curated platform for fine art and design.

Artnet Auctions, launched in 2008, provides unique value to buyers and sellers in the art market. Through an online-only model, transaction costs are lower than at incumbent brick-and-mortar competitors. Agile operations and sale calendars permit significantly higher degrees of liquidity and pay-out for sellers. The innovative model also permits the reduction of operational overheads, logistics costs, and warehouse risks are also significantly reduced. Buyers and sellers value the leaner commission structure, fast end-to-end execution time for transactions, and intuitive user experience. Artnet Auctions focuses on the Modern, Post-war and Contemporary, and Ultra Contemporary art categories, which represent over 70% of the total art market and have a strong growth trajectory. Within those segments, Artnet Auctions is focussed on the mid-market, which carries the largest proportion of the transaction volumes. The platform has continued to pursue a strategy of increasing average transaction values to drive operating margins, and now regularly sells works around 500,000 USD.

Artnet Galleries represents the world's most prestigious galleries from 61 countries. Galleries members are indexed by specialty and location, with approximately 280,000 artworks featured on the platform in 2022 (2021: 250,000). Artnet provides unique informational depth with content-rich pages to help buyers from around the world discover artworks from leading galleries. A strong SEO profile and a focused content-to-commerce strategy drive qualified traffic and engagement to partner inventory, offering galleries introductions to buyer pools they would otherwise not have access to.

Similarly, Artnet Auction House Partnerships offer auction houses a way to gain international exposure for their sales and drive a high volume of potential buyers directly to their proprietary sites. With a partnership, auction houses have the flexibility to post complete or partial sales on Artnet, with the option of linking every lot on Artnet back to the same lot in their online catalog. All upcoming sales are listed on our Events page and rank high on both Artnet and external search engines. Auction House partnerships are the ideal tool for auction houses to expand their international presence and direct a large number of potential buyers to their website.

Artnet Galleries added many new members as gallerists worldwide turned to Artnet to boost their online visibility and facilitate transactions. Higher-tier memberships, which provide access to Artnet's Data and Media products, proved particularly attractive. The Galleries product underwent a strategic review in Q3 2022, with new membership packages launched in Q4 that are expected to have a positive impact on new member volume, particularly amongst higher tier memberships. A change to membership terms towards a minimum 6 month term is also set to lower churn moving forward.

Marketplace Highlights 2022

Over 280,000
artworks for sale

♦

Continued high price levels including 425,000 USD for a work by Roy Lichtenstein sold on Artnet Auctions

♦

Over 100 artist, category, or auction records set on Artnet Auctions

♦

61 Auctions held
including 7 charity sales

♦

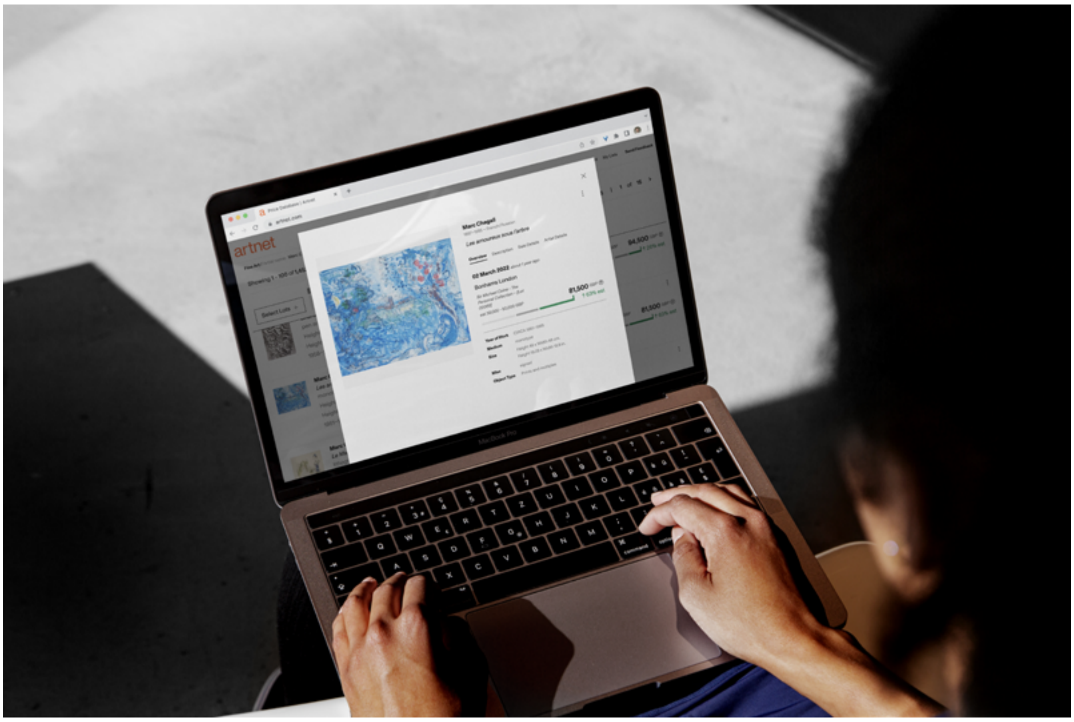
First NFT Drop
with 100% sell through rate

Objectives and **Strategies**

We envision a world where buying, selling, and collecting art is simple, efficient, and highly rewarding for the modern collector. Our purpose is to empower art enthusiasts and collectors to pursue their passion and facilitate seamless transactions based on trust and transparency.

Artnet is a technological pioneer within the art market and is spearheading its digitization. Artnet aims to overcome inefficiencies in the art market through digital solutions. Artnet's services provide market transparency, insights, fast transactions, and liquidity for thousands of clients and millions of users throughout the world. Artnet operates a diversified B2B and B2C business model, offering a synergistic range of products and services to a varied group of clients.

Financial stability is a key objective for the Group, which is safeguarded by close and consistent monitoring of a detailed set of financial and performance indicators throughout the year. Product development continues to be a priority as Artnet increases scale and market share. Artnet operates in a highly competitive market with significant growth potential. It is crucial for the Company to scale in order to pursue the consolidation of the online art market and drive operating margins.



Artnet's new Price Database: elastic search and optimized UX enables deeper insight into the market

Control **System**

A standardized controlling and reporting system has been put into place for the value-based management of the Group and the management of individual segments. For the individual segments, revenues and the Contribution Margins are determined and assessed as key financial indicators compared to the budget and prior-year figures. Earnings before interest and taxes (EBIT) are of major importance to the result of operations. Concerning the financial position, the Group focuses on the availability of liquid assets. Financial performance indicators are therefore turnover and the operating result.

Furthermore, non-financial early indicators that may impact the business are continuously monitored and evaluated. For the Marketplace, these indicators include the sell-through rate by volume and value, as well as the average transaction volumes and values. The following leading indicators are essential for the Price Database: the number of subscribers; the number of auction houses whose auction results are added; searches per session; and the total number of data points added.

An essential aspect of the management control system is the ongoing monitoring of traffic and user engagement, in which essential patterns are evaluated and analyzed. Artnet evaluates site visits daily, weekly, and monthly to obtain information about performance in each segment. This analysis is also important for billing advertising contracts based on traffic performance. Important indicators of Internet advertising analyzed by Artnet are the price for 1,000 impressions (CPM), actual impressions, and the ad's visibility on the site.

Research and Development

The Artnet website forms the foundation of the Group's products and services. It is of the utmost importance to keep pace with the latest technological developments and best practices. In this regard, Artnet's developers and engineers use third-party software and plug-ins where optimal to drive platform agility and performance.

In May 2021, Artnet launched a partial content paywall, published under **Artnet News Pro**, offering subscribers critical, data-driven editorial. This diversification of Media revenue streams provides greater revenue predictability, and delivers greater value to Artnet's most engaged readership. In Q4 of 2021, Artnet developed and Shipped the ArtNFT Site. As a fully integrated, Ethereum compatible, on-chain platform, ArtNFT provides collectors with a transparent, efficient, trustworthy, and digitally native experience with a curated selection of NFTs.

During the 2022 fiscal year, Artnet developed its Art Secured Lending program, in collaboration with two renowned art secured loan providers: **The Fine Art Group** and **Luxury Asset Capital.** The service is integrated into the Price Database user experience.

Additionally, during the 2022 financial year, Artnet rebuilt the Price Database. The renewed product is built on a new API-first architecture, introducing the opportunity for transformational new data delivery formats. A mobile optimized design gives easy access to our global user base and drives search volume, while the implementation of elastic search introduces vast new search possibilities. Artnet's data science team has produced intelligent, reactive analytics that generate deep insight and understanding of the art market within the new product.

The technology team was also able to complete several other critical developments in 2022. Single Sign-On (SSO) was the unification of user accounts across product groups. This creates an improved user experience, and permits the development of unified subscription products, vastly improved user tracking and traffic monitoring, and personalized experiences. Dramatic improvements were also made to site security, with an Upguard score of 908 Artnet is in the highest tier of security rankings against a maximum rating of 950. The data science team developed internal tools that optimize traffic and user monitoring. AI powered algorithms to detect future price developments, automated pricing estimates, and the structuring of exhibition and provenance data were also developed.

FALCON

In 2018, Artnet began to completely rebuild its technology infrastructure with project FALCON. It was one of the most significant undertakings since the founding of the company. Its ultimate objective: the complete rebuild of Artnet's production process—leading to reduced maintenance costs for existing products and vastly improved development speed. It represented a long-term investment in Artnet's future.

In 2020, the so-called Front-End Content System was completed after developing reusable internal tools and buttons that affect the user interface of the site. The project's final part focused on back-end infrastructure, data storage, and the online auctions system. It was successfully completed in Q2 of 2022 - and the first product to be launched on the new platform was the revamped Price Database; It was launched in a Beta environment in Q4 of 2022 and fully shipped in Q1 of 2023.

Economic Report

Global Economic Situation

The 2022 financial year saw numerous macroeconomic challenges that have carried through to the beginning of 2023. Rising energy prices and supply-chain disruptions in combination with a tight labor market have resulted in higher and more broad-based inflation than anticipated. Socio-political instability caused by the conflict between Russia and the Ukraine have significantly contributed to market fluctuations, rising oil prices, and supply chain disruptions. Protracted pandemic related lockdowns in China led to further market disruption.

At the start of the current financial year, stubborn inflation has damaged consumer spending power and confidence in some areas. Several economies have experienced increased recessionary pressures. However, the IMF upgraded the economic outlook in January 2023, with only the United Kingdom predicted to experience continued negative growth amongst developed economies through 2023.

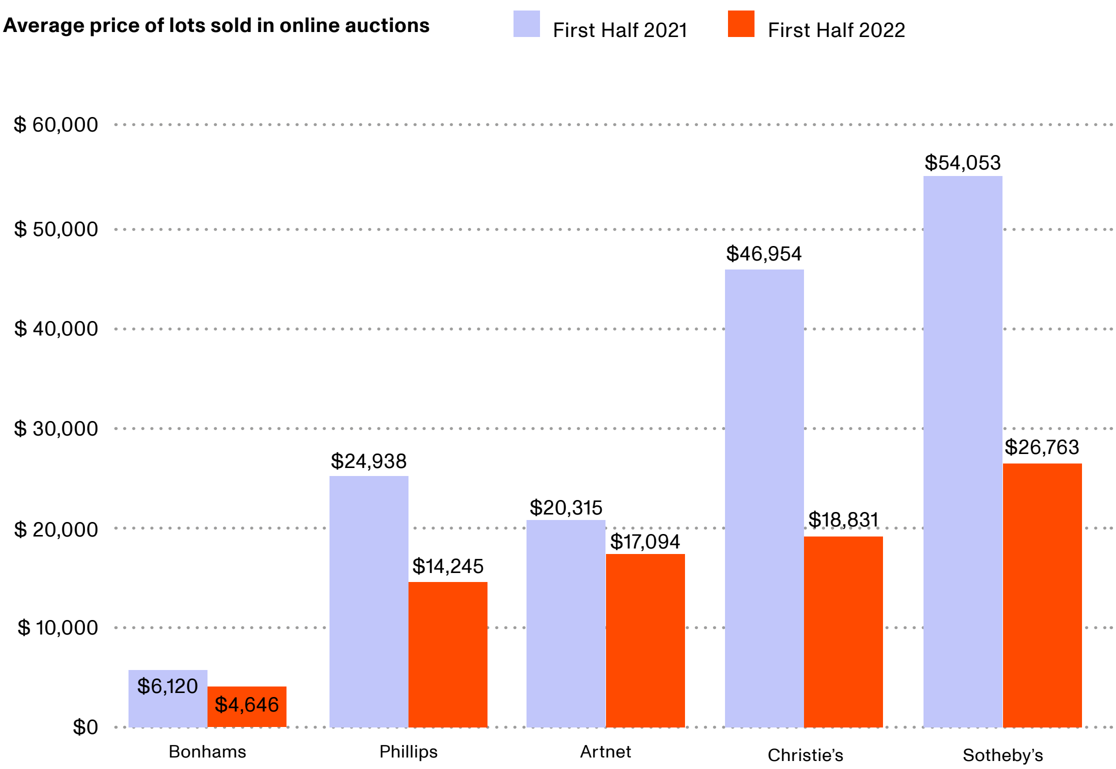
At the time of publishing, inflationary pressure has eased slightly in several economies. Global inflation is expected to fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, still above pre-pandemic (2017–19) levels of about 3.5 percent (Source: IMF).

Global growth is projected to fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, then rise to 3.1 percent in 2024. The forecast for 2023 is 0.2 percentage points higher than predicted in the October 2022 World Economic Outlook (WEO) but below the historical average of 3.8 percent (Source: IMF).

For advanced economies, the slowdown will be more pronounced. US growth will slow to 1.4 percent in 2023 as Federal Reserve interest-rate hikes work their way through the economy. Euro zone conditions are more challenging despite signs of resilience to the energy crisis, a mild winter, and generous fiscal support. With the European Central Bank tightening monetary policy, and a negative terms-of-trade shock—due to the increase in the price of its imported energy, the IMF expects growth to bottom out at 0.7 percent this year. Growth in the United Kingdom is projected to be –0.6 percent in 2023, a 0.9 percentage point downward revision from October, reflecting tighter fiscal and monetary policies and financial conditions and still-high energy retail prices weighing on household budgets.

The “zero covid” policy restrictions in China dampened activity in 2022. With the economy now reopened, the IMF sees growth rebounding to 5.2 percent this year as activity and mobility recover (Source: IMF). India and China will account for half of global growth this year, versus just a tenth for the US and euro area combined countries (Source: IMF). Various contributing factors to the macroeconomic climate have led to market volatility as analysts struggle to determine mid-term trends. The fluctuations underscore the importance of being able to adapt working methods and strategies.

Average price of lots sold in online auctions

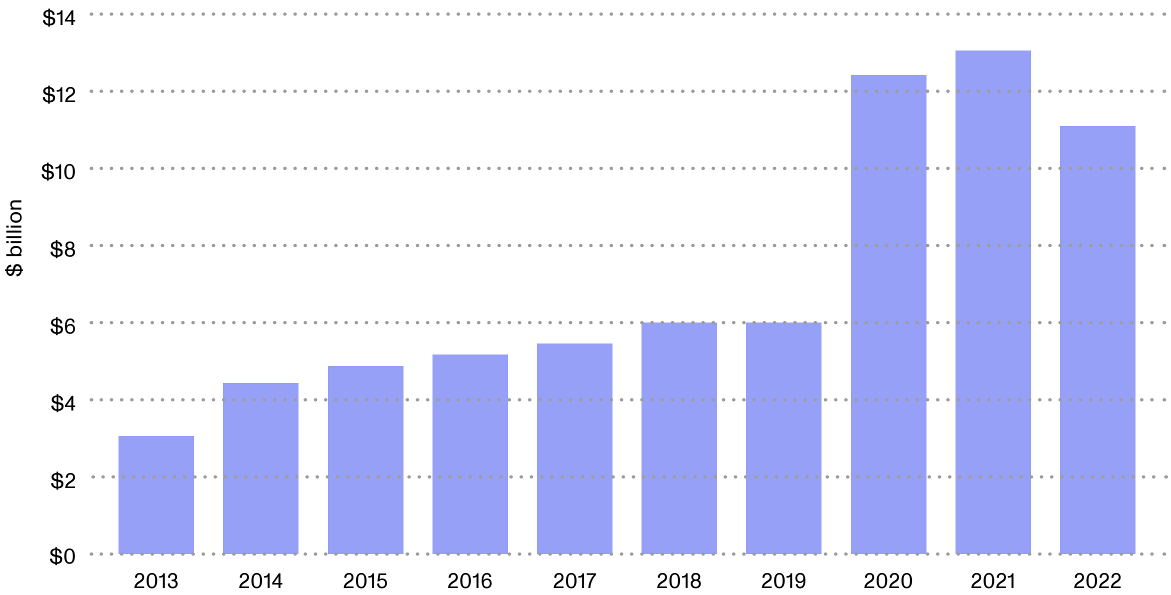


Source: Artnet Analytics

Art Market Development

The art market, like many other industries, has gone through a challenging and transformative period since early 2020, as the COVID-19 pandemic created new and unexpected demands for galleries and auction houses. Along with the difficulties it presented, the crisis also created a huge opportunity for restructuring and innovation in the sector, with a systemic shift to online transactions - of which Artnet is poised to benefit greatly as the largest online platform in the industry. That said, difficult economic conditions in 2022 prompted consumers to allocate their money more conservatively, negatively affecting art market sales. Despite current socio economic uncertainty and soft auction sales, especially during Q3 and Q4 2022, most HNW collectors (78%) are optimistic about the global art market's performance in 2023 (Source: UBS Art Market Report). In terms of fine art allocation as an asset, during the 2022 financial year, 66% of collectors reported an allocation of over 10%, while 32% allocated over 30% of their wealth portfolios to art (stable versus 2021) (Source: UBS Art Market Report).

Online Sales in the Global Art Market 2013-2022



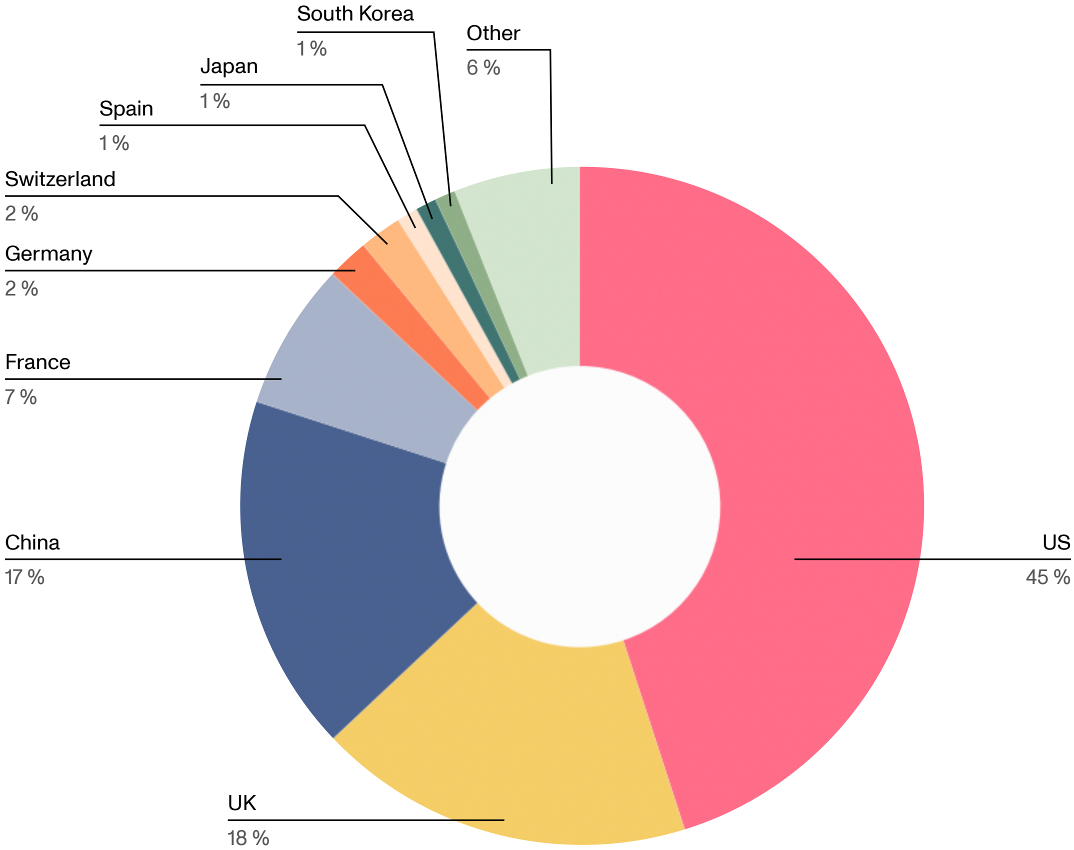
Source: UBS Art Market Report

In terms of online sales of post-war and contemporary art, the top 5 auction houses in 2022 included Sotheby's, Christie's, Philips, Artnet Auctions, and Bonhams (Source: Artnet Analytics). Online art sales decreased significantly YoY at the top 5 houses, with lower sales volumes starting from the second quarter. This reflects decreased overall sales activity in the price segment below 100,000 USD. Average Transaction Values (ATV) of lots sold online decreased nearly by 50% at some major auction houses (Source: Artnet Analytics).

Exhibitions, auctions, and fairs all ran on much more robust schedules last year, as collectors began to re-engage with live events and sales. Thus, dealers and auction houses alike reported a fall-off in e-commerce in 2022: Online-only sales slipped to $11 billion, a decline of 17 percent from the 2021 peak of $13.3 billion. Online sales accounted for 16 percent of the total value of the art market's 2022 turnover, down from a peak of 25 percent in 2020, and 4 percent lower than the share of global retail e-commerce, which stood at 20 percent in 2022. (Source: UBS Art Market report)

Still, online art sales are up almost 320% from the first half of 2019, suggesting that the pandemic generated a change in consumer behavior that's here to stay. More work than ever is being offered online, thanks to increasingly efficient online-sales operations and a new year-round schedule. Some 8,7% more lots sold online in the first half of 2022 than in 2020 (Source: Artnet Analytics).

Global Art Market Share by Value in 2022



Source: UBS Art Market Report

The U.S. market benefitted from high-profile consignments toward a V-shaped recovery. Several significant single-owner auction sales skew the overall result upwards.

The U.S. retained its premier position in the global ranks, with its share of sales by value increasing by 2% year-on-year to 45%. After a significant decline in sales during the pandemic, the US art market has seen one of the most robust recoveries of all the major markets. From a pandemic-induced low in 2020, sales bounced back in 2021, increasing by just over one third in value to $28 billion. Growth continued in 2022 with a further increase of 8% year-on-year to $30.2 billion, its highest level to date. This was driven by a major uplift at the high end of the auction sector, along with more moderate but positive growth in dealer sales.

Despite a year of intense economic and political pressures, sales in the UK maintained their momentum, with a rise of 5% to $11.9 billion in 2022. This second year of growth boosted the market from its 2020 low, although sales were still below their pre-pandemic level in 2019 of $12.2 billion. China had a significantly worse year in 2022, with lockdowns stalling activity, and sales and events curtailed or canceled. Sales declined by 14% year-on-year to $11.2 billion, and although still 13% above 2020, this was their lowest level prior to that since 2009.

The French market saw positive, low growth of 4% year-on-year measured in US dollars, with the increase somewhat muted by deteriorating Euro values in 2022. Following a drop in value of 30% in 2020, sales in France had a particularly strong uplift in 2021, increasing by 58% year-on-year to $4.8 billion. The continued growth in 2022 led to a new peak of just under $5 billion, the highest level to date. Sales in Germany and Spain also showed growth and the EU as a whole advanced by 5% year-on-year to an estimated $8.8 billion. (Source: UBS Art Market Report)

The United States, the United Kingdom, and China (in that order) together still account for 80% of the global market share for art auctions. The total (online and brick and mortar) number of works of fine art offered at auction decreased by nearly 2.4% Year-on-Year - and the sell through rate decreased by 2% (Source: Artnet Analytics). However, total sales worldwide increased, partially due to several high profile sales throughout the year.

Total Sales Vlue (USD) by Genre, 2022

Source: Artnet Data Science

Ultra-contemporary art, which for years was the fastest-growing sector of the market, has wavered. The sector delivered $365.3 million in the first six months of the year, an increase of 6.5%. That's smaller than any other category in terms of year-on-year growth (Source: Artnet Analytics). The postwar and contemporary segment is up almost 11% over the first half of 2022, with total sales of $3.1 billion. That's the highest total for the category in at least a decade (Source: Artnet Analytics).

Interestingly, there were 12 women among the 100 top-selling fine artists at auction in the first six months of 2022. That's up by 6 from the equivalent period in 2021—but remains very low in comparison to male representation in the top 100. The 12 artists are, in order: Yayoi Kusama (11th place), Shara Hughes (47th), Cecily Brown (51st), Helen Frankenthaler (52nd), Joan Mitchell (56th), Agnes Martin (57th), Louise Bourgeois (62nd), Ayako Rokkaku (65th), Barbara Hepworth (70th), Flora Yukhnovich (81st), Claude Lalanne (82nd), and Bridget Riley (85th). (Source: Artnet Analytics)

Vivian Springford, *untitled,* sold on Artnet Auctions for 100,000 USD, 2022

Business Development
Despite strong macroeconomic headwinds, the Artnet Group closed the 2022 financial year having, for the most part, delivered the performance as predicted in the outlook of the 2021 Annual Report. The Media segment outperformed Management's expectations, with Advertising revenue contributing to a strong year. The Data and Marketplace segments performed slightly below expectation. The Marketplace segment faced a weak Contemporary and Ultra Contemporary art market environment, especially in the third quarter. However, by the fourth quarter, the Segment recouped and was able to close the year with only a slightly lower than predicted performance. The Data segment, having performed slightly less well than predicted, as outlined above, has been optimized, and Management predicts stronger growth for the 2023 financial year and beyond.

In terms of non-financial performance indicators, the Group continues to welcome recurring customers, both in its B2B as well as B2C services. Additionally, data points such as click through rates, low bounce rates, and strong traffic increases, indicate that Artnet is delivering high value for its customers.

Result of Operations, Financial Position, and Net Assets
Artnet generates its revenue primarily in US dollars. The headquarters of Artnet's subsidiary, Artnet Corp., is located in New York, the global center of the art market, and thus incurs its expenses mainly in US dollars. Therefore, the Group presents its results in US dollars.

The impact of the USD/EUR currency exchange will be described in a separate section.

Result of Operations
The Group's revenue in the 2022 fiscal year totaled 26,318k USD (2021:24,697k USD), showing growth in line with management expectations. This is due to exceptionally strong performance in the Media segment, which is generating the highest revenue in the segment's history.

Income from operations decreased to -1,714k USD YoY (2021: -890k USD). Despite a 38% increase in Media incomes, specifically Advertising and Artnet News Pro subscriptions. Increased Selling and Marketing as well as Administrative costs led to the decrease in Income from Operations.

Revenue Growth
In 2022, Artnet's total revenue increased to 26,318k USD compared to 2021 (24,697k USD). A significant increase in Media revenue drove this growth. Luxury brands, financial institutions, and art businesses bolstered their marketing budgets. In 2020, the Marketplace segment became the Group's largest revenue generator, outperforming both Data and Media segments; and this continued both in 2021 and 2022. In 2022, the Media segment experienced very strong growth. The Data segment experienced steady performance during 2022.

Data

The Price Database, Artnet's core segment, remains an essential and coveted research tool for art market participants around the world. With over 16 Million illustrated results dating back to 1983 and over 12 data points per result, Artnet's Data is the most accurate and comprehensive of the industry and is relied upon by all leading transactional art businesses globally. Revenue in 2022 decreased 3% to 7,465k USD (2021: 7,721k USD) reflecting difficult market conditions and compressed sales volumes in 2022. The moderate growth in turnover expected in the previous year could not be realized in this environment. Search volumes as well as revenue are expected to increase significantly with the release of the renewed Price Database in Q1 2023.

The Price Database's unique quality was again highlighted with the publication of the bi-annual Artnet Intelligence Reports — published for the 2022 spring and fall auction seasons, sponsored by Morgan Stanley. The data science team helps create these mission-critical reports of current art market trends in collaboration with Artnet News.

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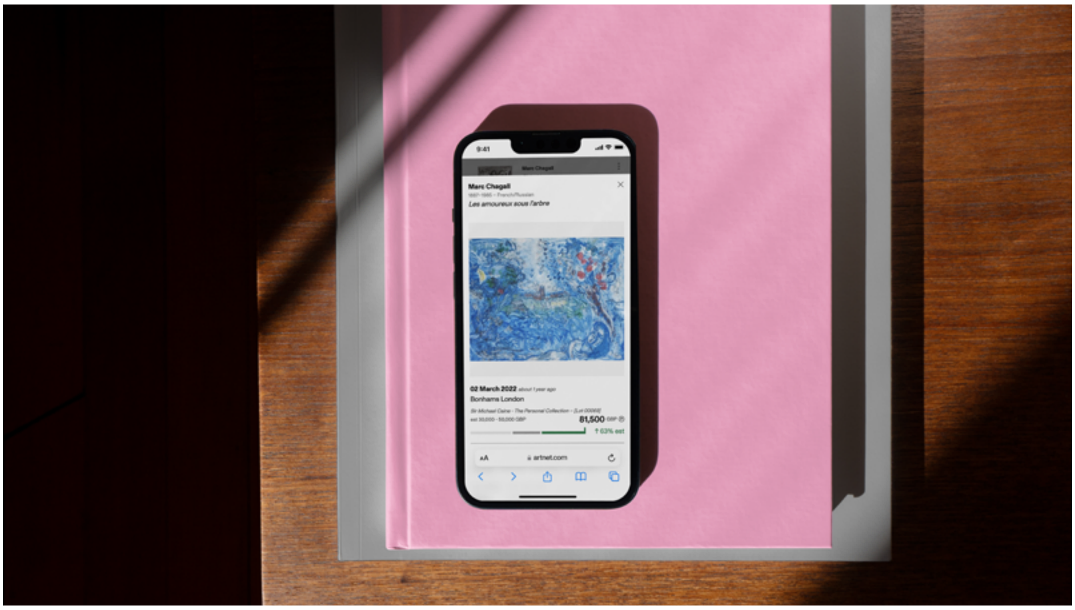
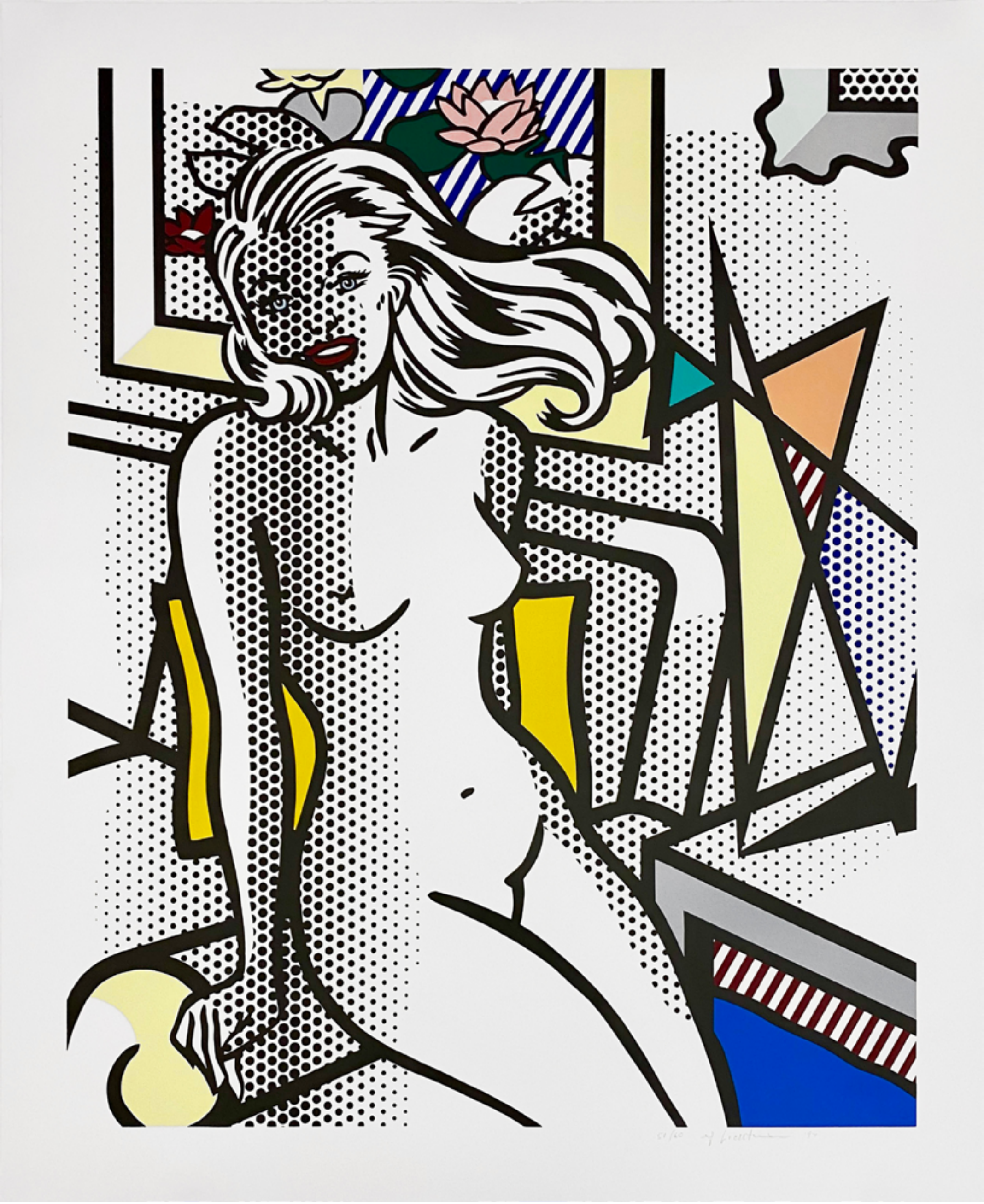


Artnet's new Price Database is mobile-optimized



Roy Lichtenstein, *Nude with Yellow Pillow (from the Nude series),* 1994, sold for 425,000 USD on Artnet Auctions

Marketplace

Total revenue from the Marketplace decreased by 6% to 9,656k USD (2021: 10,292k USD). The significant growth in turnover expected in the previous year was not achieved due to the difficult market conditions that affected all online auction houses. Due to the restructuring in the Marketplace segment, management forecasts a slight increase in revenue compared to the previous year.

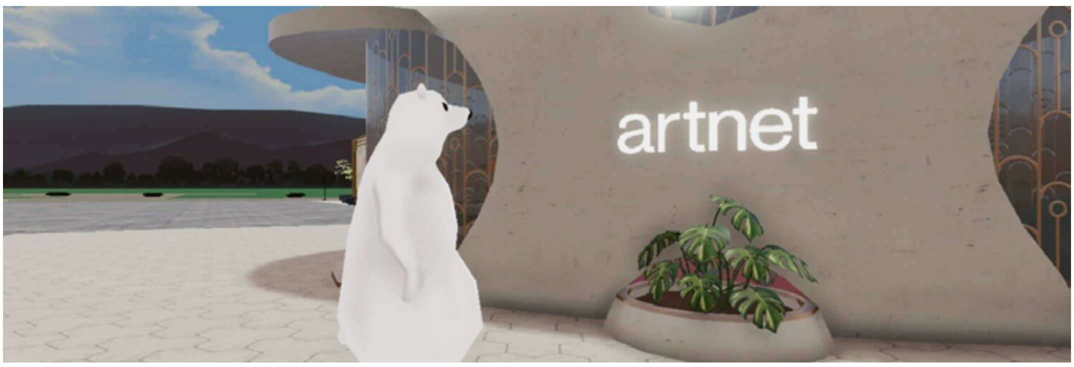
Artnet Auctions achieved a 77% Sell Through Rate (STR) in the Prints & Multiples department, showing strong performance in one of its core segments. However, STRs in Post-War & Contemporary Art and Photography were below expectations, reflecting difficult market conditions. Overall consignment volumes were down due to market uncertainty surrounding a difficult macroeconomic environment. Management closely tracks team performance and strategies. Following a thorough review in Q3, the department significantly picked up performance in Q4 and carried that momentum into the start of 2023.

There were many highlights during 2022, with over 100 artist, category, and auction records set during the course of the year, a tremendous achievement. A total of 61 sales were hosted on Artnet Auctions in 2022.

Selected top lots included Roy Lichtenstein's Nude with Yellow Pillow (1994), which sold for 450,000 USD, well-exceeding the pre-sale estimate of 200,000-300,000 USD; Gerhard Richter's Cage 1-6 (2020), which sold for 175,000 USD; and Friedel Dzubas' Wendover (1974), which sold for 175,000 USD.

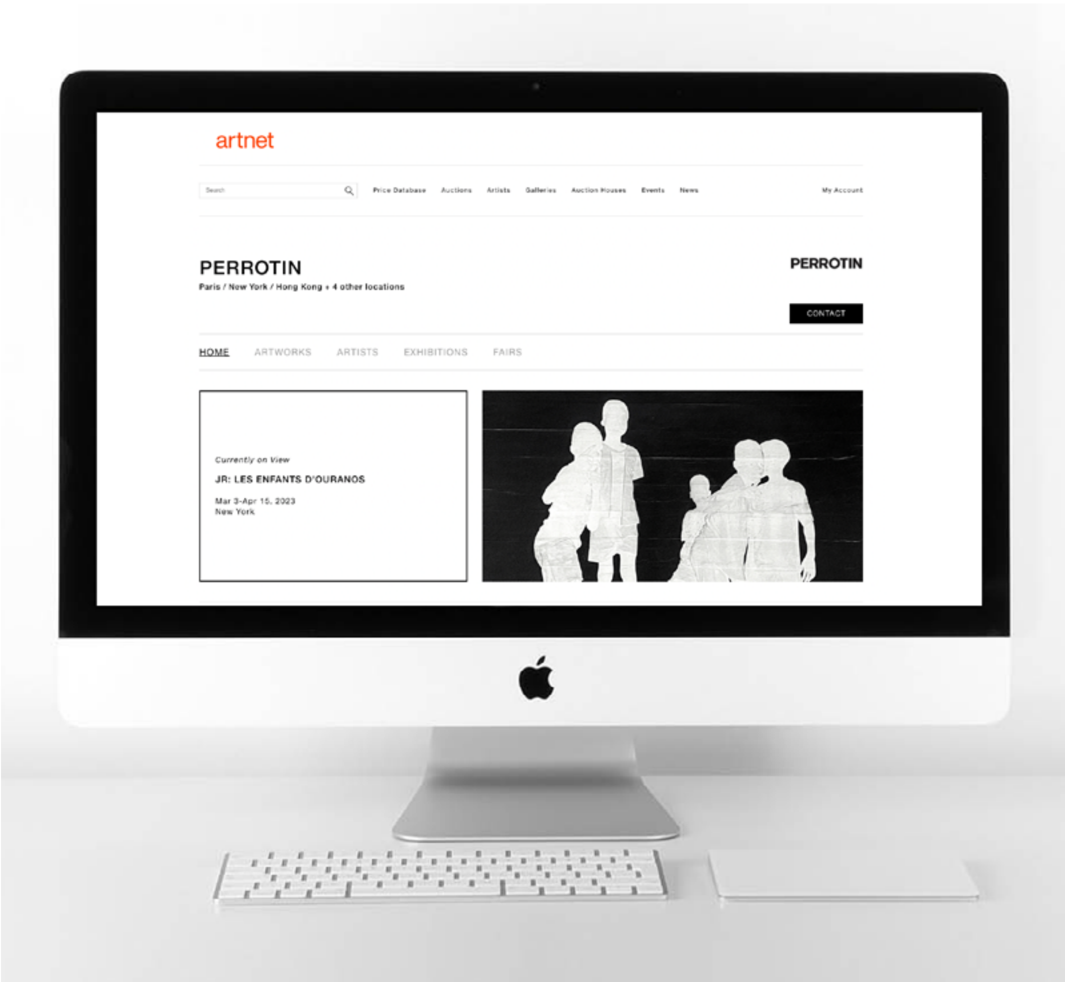
Artnet is an important player in the intersection between art and technology. As part of this, Artnet has aimed to capture the business opportunities that come with the significant, global growth in interest in NFTs and blockchain technology. Since Artnet launched its NFT Initiative in Q4 2021, the focus has been on growing the community and capturing revenue opportunities without incurring significant impacts on the company's bottom line. In March 2022, Artnet launched its second NFT sale, which achieved a 100% STR on the first drop with Fake Rare. Since the broader crypto market correction, the marketplace team continues to monitor activity and engage the nascent community in curated sale opportunities that show strong revenue potential and alignment to Artnet's brand and core audience.

Gallerists worldwide are joining Artnet to improve their online visibility and facilitate transactions. However, in line with the very challenging market conditions during the past financial year, Gallery Network memberships declined by 5% in 2022.

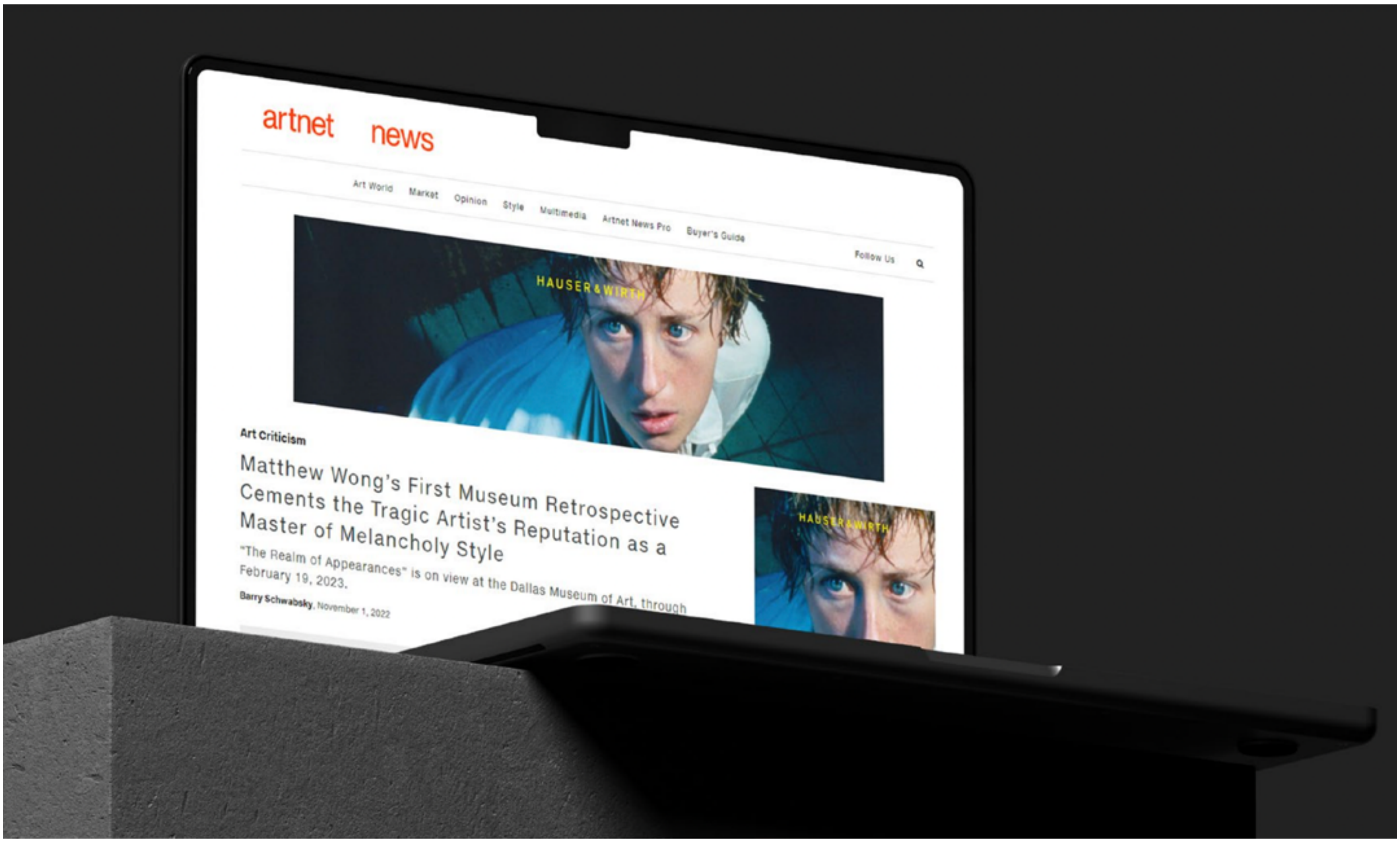


Artnet is active in the Metaverse, partnering with Decentraland in 2022

Higher value memberships, offering access to Artnet's data and media products, proved particularly attractive. Following a strategic review of the Artnet Galleries product in Q3 2022, new membership packages were introduced in Q4 which are expected to have a positive impact on attracting new members, particularly for the higher value memberships. A change in membership to a period of at least six months is also intended to reduce churn in the future.



Artnet Galleries member, Perrotin Galerie



Hauser & Wirth gallery is a one of many recurring Artnet advertising clients

Media

Media revenue increased by 38% to 9,197k USD (2021: 6,685k USD), a record-breaking year for the Media segment. The anticipated strong revenue growth was achieved. Luxury advertisers increased their marketing budgets as consumer appetite and market growth remained high following the pandemic.

Traffic on Artnet News markedly increased to record-breaking heights. The number of pageviews on the Artnet News site jumped 58% to 158 Million. The Executive Team forecasts revenue growth for the current financial year at least at the level of 2022.

According to our Data (such as click through rates and traffic), readers turn to Artnet News for its in-depth coverage of the industry, the rise of fine art as an asset class, the digital transformation of the art world, and the inside track on movements shaping the gallery, auction, and fair landscape. In total, Artnet News published more than 3,825 (2021: 3,100) stories ranging from data-heavy reports on market movements, to mission critical insights, and reports on current events in the industry.

Artnet News benefitted from its reputation as the leading source for exclusive information and commentary about the events, trends, and people shaping the art market. Major international publications repeatedly quote its stories, which strengthens the Artnet brand overall. The editorial focus on quality and original reporting has boosted pageviews over the years and made Artnet News a sought-after advertising platform.

With the launch of Artnet News Pro, a new revenue stream was added to the Media segment of the group. A partial paywall, Artnet News Pro provides subscribers with mission-critical journalism and data insights into the art industry.

Sponsorships provide an additional revenue stream for the Media segment outside of digital advertising. These larger brand partnerships provide opportunities for exposure outside of Artnet's traditional formats and new ways to engage with our audience while generating value for our partners. Sponsorships are an additional format of revenue diversification in the media segment with strong margin potential. Notable sponsorships included the Morgan Stanley sponsored 'Intelligence Report' as well as sponsorships and events with Cadillac and Dobel.

Artnet has supported a vast and notable range of clients in sectors including Fine Art, Publishing, Consulting, Law, Government and Education. Past clients include:

Changes in Costs and Results

Gross profit in 2022 increased 6% to 15,220k USD compared to the previous year (2021: 14,364k USD), due primarily to increased revenues from the Media segment, but was partially offset by increased costs in Auctions and Network Maintenance.

Sales and marketing expenses increased to 9,174k USD (2021: 6,909k USD), mainly due to increased events costs and advertising operations expenses related to luxury advertising and sponsorships.

Expenses for product development decreased by 910k USD to 2,742k USD in comparison to the previous year (2021:3,653k USD). In 2022, Artnet developed its renewed Price Database, among other product improvements. The product development costs, which were simultaneously capitalized as an intangible asset, amounted to 2,064k USD (2021: 796k USD)

General and administrative expenses increased slightly to 5,017k USD (2021: 4,692k USD). These costs primarily include depreciation of the right-of-use asset and ancillary rental costs of 1,298k (2021: 1,285K USD), the salaries of administrative staff and management compensation, legal and consulting fees, as well as travel expenses.

Operating expenses increased to 16,934k USD in comparison to the previous year (2021: 15,254k USD, primarily due to higher sales, marketing, and administrative expenses.

As a result, operating income decreased to -1,714k USD as compared to the previous year (2021: -890k USD).

Development of Segments
The Group reports on the operating segments the same way it reports this information internally to the Management and Supervisory Boards. For further reference, see the detailed presentation in the notes to the consolidated financial statements.

The Contribution Margin II (CM II) for the Data segment was 4,091k USD (2021: 4,273k USD). Within the Marketplace segment, the CM II was 1,800k USD (2021: 2,341k USD). In the Media segment, the CM II was 2,068k USD (2021: 1,334k USD).

Group Profit or Loss
The operating income of -1,714k USD (2021: -890k USD) was mainly due to the increase in Selling and Marketing, Auctions as well as Network Maintenance expenses.

Other income increased to 1,777k USD (2021: 59k USD) mainly due to ERC grants of 2,291k USD. Artnet applied for the ERC grant in the US in May 2022, which was introduced as part of the Coronavirus Aid, Relief and Economic Security Act. The purpose was to encourage employers to keep their employees on during the coronavirus pandemic. Artnet's entitlement was for three quarters of the 2021 financial year and was approved in December 2022 for the amount stated, plus interest of 49k USD. In addition, provisions of 343k USD were recognised in other expenses as part of the ERC claim and foreign currency expenses of 112k USD (2021: 9k USD), including consolidation differences from currency translation.

Profit before tax was 75k USD due to other income, lower than the 0.8 million USD to 1.03 million USD expected for 2022.

In addition, a gain on the revaluation of deferred tax assets of USD 84 thousand was recognised in 2022 (2021: loss of USD 38 thousand). This is mainly due to temporary differences in the amortization of intangible assets and a higher tax rate.

The Group's Net Profit increased to 127k USD (2021: -941k USD) year-over-year mainly due to the increase in other Income.

The Group's result of 151k USD (2021: -887k USD) was also influenced by foreign currency exchange effects in the amount of 25k USD (2021:54k USD)

Currency Conversion and Profit Situation in Euros
Currency conversion in the consolidated statement of comprehensive income is based on the average exchange rate from January 1 to December 31, 2022. Throughout 2022, the average exchange rate was 0.9511 USD/EUR compared to 0,8458 USD/EUR during the 2021 fiscal year. Currency conversion for the balance sheet is based on the exchange rate at the end of the financial year. As of December 31, 2022, the rate was 0.9318 USD/EUR compared to 0,879 USD/EUR on December 31, 2021.

Artnet is subject to these exchange rate fluctuations since it invoices in euros, US dollars, and British pounds, but conducts most of its business in the United States. In 2022 and 2021, the Group generated approximately 13% of its revenue in euros and about 8% in British pounds, respectively.

In 2021 as well as 2022, the Group's financial performance in the reporting currency of the euro was significantly influenced by exchange rate effects due to the appreciation of the euro against the US dollar. In euros, revenues increased by 19% to 25,030k EUR (2021: 20,889k EUR).

The currency development in US dollars has only a moderate influence on the general administrative costs on a euro basis, as a significant part of the expenses (e.g. all holding costs of Artnet AG) are already settled in euros. The Group generated a negative operating result of TEUR -1,630 compared to a negative operating result of TEUR -753 in the previous year. In 2022, the consolidated result including the ERC grant received was positive and amounted to 121 kEUR (2021: -796 kEUR).

Financial Position
In 2022, operating cash flow increased to 2,854k USD (2021: 648k USD). Debt is further described under financing activities. The increase is due to the increase in operating liabilities and accrued liabilities with a reduced increase in funds tied up in trade receivables.

Negative Cashflow from investing activities amounted to -2,078k USD in comparison to the previous year (2021: -800k USD). Investments in intangible assets were mainly related to the revision of the Price Database and improvements across all product categories.

The 2022 cash outflow from financing activities decreased to -345k USD compared to -1,024k USD in 2021, primarily due to loans.

Cash and cash equivalents increased to 1,130k USD as of December 31, 2022 (December 31, 2021 675k USD). The difference is mainly due to the 275k USD loan taken out in July and the 507k USD loan in December. In euros, the cash flow changes from operating, investing, and financing activities vary from US dollars. Because of the fluctuations in the value of both the euro and British pound against the US dollar from December 31, 2021, to December 31, 2022, cash and cash equivalents increased by 25k USD. In euros, the positive currency effect amounts to 56k EUR since the holdings in US dollars appreciated. Therefore, the liquidity portfolio of the Group increased in Euros by 78% to 1,053k EUR as of December 31, 2022 (December 31, 2021: 593k EUR).

The cash investment policy for the Group is conservative and is used solely for short-term investments, allowing all cash to be liquid and available. As of December 31, 2022, the liquidity per share totaled 0.20 USD (0.19 EUR) based on an average number of 5,627,986 outstanding shares compared to 0.12 USD (0.11 EUR) on December 31, 2021.

Financial Status
Consolidated total assets amounted to 15,505k USD on December 31, 2022, compared to 12,315k USD on December 31, 2021, representing an increase of 26%. The increase is mainly due to an increase in Other Assets as well as Intangible Assets.

Accounts receivable increased to 3,159k USD (2021: 2,986k USD) mainly due to outstanding Luxury Advertising receivables which normally have a longer collection cycle. Included in other current assets as of 31 December 2022 is the entitlement to the approved ERC grant of 2,340k USD including interest, which was paid to Artnet in January 2023.

The Group's non-current assets are primarily held in US dollars. Fixed assets, which are comprised of intangible assets, right of use and tangible assets, increased by 475k USD to 6,570k USD. The increase was mainly coming from the capitalization of development costs for intangible assets in the amount of 2,064k USD (2021: 796k USD) but was offset by a decrease in tangible assets, which was mainly due to the depreciation of the right-of-use asset.

Total current liabilities and provisions increased to 10,070k USD (2021: 6,955k USD). This was primarily due to the increase in the Accounts Payable and Deferred Revenue.

This is mainly due to an increase in trade payables, accrued liabilities and contract liabilities from accruals. In December 2022, a short-term loan in the amount of 507k USD was taken out from related parties. With the ERC grant and loan received, the operating liabilities and accrued liabilities built up during the year will be significantly reduced after the reporting date. As a result of high demand for digital advertising in the final months of FY2022, contract liabilities increased from 2,499k USD as at 31 December 2021 to 3,429k USD as at 31 December 2022.

Long-term liabilities decreased during the year to 275k USD as of 31 December 2022 compared to 352k USD as of 31 December 2021. A loan of 275k USD was granted by a related party in July 2022. The Group's equity increased to 5,160k USD as of 31 December 2022 from 5,009k USD as of 31 December 2021. This was mainly due to the increase in the Group's net profit.

The Price Database is an intangible asset that has been developed over more than 30 years by the gathering of auction information. Although it cannot be recognized as an asset on the balance sheet due to accounting rules, it represents a crucial part of the business and is a secret reserve. If it could be recognized at fair value, the assets and thus, the equity would increase significantly.

Accumulated Deficit

The accumulated deficit of 53,893k USD (2021: 52,952k USD) does not reflect the Group's current value creation, as it arose in particular following the IPO of Artnet AG in conjunction with a severe market crash. In addition, a carried forward loss is common, especially for companies with a strong focus on growth. It's primarily due to start-up losses that necessarily arise in connection with new products and innovations.

The loss carryforward reported in the annual financial statements of Artnet AG is significantly lower at 1,582k EUR (2021: 1,737k EUR) and, due to the earnings reserves, which are reported in the annual financial statements in the amount of 2,819k EUR (2021: 2,819k EUR), does not technically prevent Artnet AG from paying a dividend to its shareholders. However, the revenue reserves must first be released and offset against the loss carryforward. The deferred tax assets of 1,624k USD (2021: 1,540k USD) recognized in the financial position of the consolidated statement, make the positive economic effect of the tax loss carryforwards and the deductible temporary differences of Artnet Worldwide Corp. visible. They embody the expected tax relief that can probably be realized within the next three financial years.

Friedel Dzubas, *Wendover,* 1974, sold on Artnet Auctions for 175,000 USD

Statement by the Management Board About Result of Operations, Financial Position, and Financial Status

In 2022 the global post-pandemic recovery was mired by the conflict in Ukraine and energy and supply chain shortages. A protracted zero-Covid policy in China further dampened the macroeconomic climate. As inflation increased to rates not seen in recent history, significant monetary tightening started impacting economic performance. The art market, while insulated against macroeconomic shocks, also showed signs of decreased sales volumes and average price levels. Towards the end of the year the technology sector in particular came under increased stress.

This downward pressure underscored the importance of being able to adapt to an abrupt shift in market conditions. Close monitoring of performance indicators and thorough quarterly strategic reviews of underperforming segments permitted management to refocus the Company on core markets and audiences where conversions are highest. This led to improvements through the later stages of the year and resilience against adverse market conditions. Additionally, the nascent shift in consumer behavior in the art market towards online transactions continued and provided a degree of robustness to performance in what was otherwise a challenging year.

Total revenue from the Marketplace segment decreased by 6% to 9,656k USD (2021: 10,292k USD). However, there were many highlights during 2022, with over 100 artist, category, and auction records set during the course of the year. As more galleries are struggling with global economic headwinds and an uncertain future, there was an increase in cancellation rates, particularly those citing financial difficulties.

Data revenue in 2022 decreased 3% to 7,465k USD (2021: 7,721k USD). During the 2022 financial year, management invested in rebuilding the Data segment, with a focus on UX/UI and AI-powered technologies. Currently in a Beta environment, the new Price Database will be shipped in Q1 2023. Management expects increased revenue following the improved customer experience.

Within the Media segment, Artnet News continues to experience forceful growth. With over 158 Million pageviews during the year, Artnet News published over 3,000 articles, reaching a global audience of art collectors and professionals. Artnet News Pro continues to prove its worth - delivering a new revenue stream for the Media segment.

Total revenue increased 7% primarily due to strong growth within the Media segment. The Group nevertheless generated a negative operating result of -1,714 TEUR compared to -890 TEUR in the previous year. The decrease in the operating income was mainly due to the increase in Selling and Marketing, Auctions as well as Network Maintenance expenses. A strategically expanded executive team, aimed at streamlining and improving operations and execution, also contributed. The expanded executive team include Albert Neuendorf as Chief Strategy Officer, Alanna Lynch as Chief Operating Officer, Quentin Rider as Chief Technology Officer, and Rob Baker as Chief Marketing Officer. With this focus on new talent, Artnet is well positioned to accelerate growth and development during the 2023 financial year and beyond.

Non-Financial **Performance Indicators**

Employees

As of December 31, 2022, the Group employed 135 full-time employees, as compared to 127 in the previous year. Additionally, the Group employed 6 part-time employees in 2022, unchanged to the previous year. In sales and other departments, the Group had 8 freelancers, as compared to 4 in the previous year.

Personnel expenses (including social insurance contributions) totaled 16,593k USD in 2022 (2021:16,850k USD). The consultants and freelancers were not included in the personnel expenses in 2022. The increase is primarily due to the hiring of key employees in key positions such as Operations, Marketing, and Technology.

Other Non-Financial Performance Indicators

The quality of our services and the satisfaction of clients and visitors to the site are of the utmost importance to Artnet's business. In-depth analyses of the reasons for the popularity and success of certain products and services help optimize the website and package our services. Likewise, feedback for contract cancellations of our Data and Marketplace segments are evaluated for quality assurance purposes through customer surveys and direct input from clients. This process allows Artnet to reduce risks while continuously improving products and services.

Within the Marketplace segment, there are over 280,000 artworks for sale with a total value of over 3.5 billion USD. At Artnet Auctions, following economic headwinds, the average transaction value in 2022 decreased to 12,100 USD (2021: 16,000 USD), a significantly smaller decrease than that seen at other major auction houses. Overall, economic headwinds and an overall decline in the Contemporary Art segment also negatively affected Artnet Auctions.

An invaluable part of the Marketplace segment, Artnet Galleries is monitored closely and indicators include the number of inquiries received, activity of each member, as well as pageviews for each member site. A change in consumer behavior favoring online discovery and transactions facilitated the in the past increased popularity of Artnet Galleries as a sales and marketing tool. In 2022, however, the number of memberships fell by 5% to 1,029 members due to the difficult economic situation.

Within the Data segment, the Artnet Price Database indicators, which include the number of subscribers, searches, and lots added, is monitored every month. In 2022, the average amount of searches per month was 194,591 as compared to the previous year (2021: 195,570)

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The number of auction results added to the Fine Art Database was 209,000, the highest amount since 2014. On average, auctions were added to the Price Database around ten days ahead of the sale, unchanged from the previous year. The year 2022 marked an important milestone for the Data segment, which now boasts over 16 Million auction results.

As an online-only business, site traffic is of the most significant importance to Artnet and is closely monitored, recorded, and evaluated. Product improvements and daily content updates to the site have attracted over 74 million unique visitors, contributing to 35% audience growth during 2022 (2021: 30% audience growth).

Rising website visitor numbers as well as returning advertising and auction customers underline the satisfaction of Artnet's customers. Nevertheless, the Group strives to continuously invest in research and development in order to guarantee this satisfaction in the long term.

Artnet's London offices at Cromwell Place

Outlook

Outlook

Jacob Pabst, Chief Executive Officer

2023 outlook:
A focus on efficiency and performance while investing in the future through technology

The following report describes forecasts made by the Management Board regarding the future performance of the Artnet group.

2022 was a challenging year for people and businesses across the world. While the start of the year carried strong momentum from 2021, the global post-pandemic recovery was soon mired by the conflict in Ukraine and energy and supply chain shortages. A protracted zero-Covid policy in China further dampened the macroeconomic climate. As inflation increased to rates not seen in recent history, significant monetary tightening started impacting economic performance. The art market, while historically somewhat insulated against macroeconomic shocks, also showed signs of decreased sales volumes and average price levels. Towards the end of the year the technology sector in particular experienced a broad revaluation.

Global growth is projected to fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, then rise to 3.1 percent in 2024. The forecast for 2023 is 0.2 percentage point higher than predicted in the October 2022 World Economic Outlook but below the historical (2000–2019) average of 3.8 percent (Source: IMF). We anticipate this dampened economic environment to continue in the year ahead, with the possibility of improved conditions towards the end of 2023. With that in mind we have set a conservative growth target and have a strategic focus on generating increased operating income through the realization of efficiencies in the year ahead. Artnet is operating without additional financing and while management sees several clear opportunities to significantly accelerate growth, a cautious, staged approach is necessary in order to safeguard the company's financial security.

Despite a challenging macroeconomic environment and a slightly tighter art market, Artnet has strong tailwinds due to the continued digitization of the industry. Online transactional formats have been broadly adopted as a core way of doing business, and this trend is expected to continue. While this systemic shift has increased competitive pressures from larger market incumbents and well funded new entrants, Artnet remains a market leader and is uniquely positioned to deliver a holistic online environment for the modern art market. With nearly 240 million pageviews in 2022, and a 38% YoY increase in audience size, our digital reach is unmatched. Additionally, due to its history as a pioneer of data and transparency, and a reputation for independant, quality journalism, Artnet is recognized globally as a trusted brand.

Therefore, overall management is cautiously optimistic and expects overall moderate revenue growth in 2023 despite the ongoing economic headwinds.

Data: Price Database revenue decreased slightly in 2022, with search activity slightly down due to decreased transaction volumes globally. Management expects 4% revenue growth for the Price Database and Artnet Analytics in 2023, as the market recovers, strengthening demand for trustworthy market data. The release of the renewed Price Database in Q1 2023 is expected to increase search volumes due to an improved, mobile optimized user experience. Management is reviewing its subscription pricing strategy for the Price Database in 2023, with a view to introducing lower cost, unified retail subscriptions to generate conversion from the Platform's vast non-professional user base. The API first data-architecture of the renewed price database also opens up new revenue potential through Analytics and bespoke direct data partnerships. Management expects a considerable increase in this area already in 2023.

Introduced in Q4 of 2022, Artnet is now also facilitating Art Secured Lending, which refers to the practice of taking out loans against Fine Art & Collectibles. This provides borrowers with additional liquidity to expand their collections or fund new alternate investments, without selling items from their collections or disrupting their investment strategy. While this product has been soft-launched for the time being, management is optimistic about the revenue potential for Artnet in this sector.

Marketplace: Solidifying its position, Artnet Auctions continues to be among the top 5 international auction houses for online-only transactions, as trust, efficiency, and transparency strengthen its market position versus brick-and-mortar auction houses. Notably, the Sell Through Rate in its Print department was 77%, a strong result for sales of this format.

With sought-after, high-quality artworks at competitive prices, Artnet Auctions continually increases average lot prices, sell-through rates and customer satisfaction. After executing on a revised sale strategy and hiring key employees and specialists through 2022, management anticipates that the auctions department will achieve strong results in 2023. Part of this is the launch of a private sales department, which will focus exclusively on executing high-value sales with Artnet's top clientele, many of which are avid users of the Price Database, or loyal readers of Artnet News. Unlike other online platforms which attract primarily a younger, lower-value collector base, Artnet's informational products garner engagement from many of the market's top collectors, making this a significant growth opportunity for the Company.

Gallery owners worldwide turn to Artnet to improve their online visibility and facilitate transactions. However, in line with the sometimes difficult market conditions, gallery network memberships declined by 5% in 2022. Seen as an entry card into the art industry, memberships offer galleries additional opportunities to showcase their artists and artworks to a global online audience. As Artnet harnesses the synergies between its products through 2023, Artnet Galleries clients will experience more benefits - from easy access to Data, insider insights from Artnet News, to sales opportunities in the Marketplace.Management expects membership numbers to grow in 2023. Overall, management is projecting a 12% increase in revenues for the Marketplace segment.

Media: Artnet News remains the leading online platform for news, commentary, and data-driven reports on the art market - with 158 Million pageviews in 2022, it has more traffic than the top four competitors combined. In the Spring of 2021, Artnet introduced Artnet News Pro, which provides collectors, art professionals, and other ambitious art lovers with the tools to navigate this high-stakes terrain through exclusive market news, analysis, opinion, insights from industry insiders, and clear-eyed investigations driven by Artnet's industry-leading price database. In 2023, revenue from advertising and sponsorships is expected to achieve strong growth, although slightly less than in 2021 and 2022 due to an anticipated slowdown in the luxury goods advertising market. Planned improvements to Artnet News Pro as it transitions to a unified retail subscription product are planned to drive growth for that product. Management forecasts 19% growth for Media revenue in 2022.

Management will continue to invest in technology and product development in 2023 in line with its strategic goal of creating a unified platform that drives growth through the realization of the clear and formidable synergies between its segments. An improved user experience in 2023 will drive traffic, user engagement, and conversion. Investments in Sales and Marketing will also improve conversion and brand recognition in 2023, while the tight curation of Artnet's marketplace will continue to generate trust from buyers and sellers alike.

Management will be focusing on costs and margin during the 2023 financial year. In line with the shift in workplace mobility, Artnet will downsize its offices with expected cost savings of over 550,000 USD per year. Additional cost savings will be derived from a discontinuation of consulting agreements and lower personnel costs in some departments.

Based on the expectations and synergies between the individual segments, Management predicts an increase in total revenues in 2023 to a range of 28 million USD to 30 million USD. Management expects the income from operations (=EBIT) to be between 1.0 million USD to 1.6 million USD. This increase in operating income is driven by management's focus on margins in 2023.

In terms of non-financial performance indicators, the Group continues to welcome returning customers, both in B2B and B2C services. In addition, data points such as click-through rates, low bounce rates or strong traffic growth show that Artnet delivers high value to its international customers.

2022 highlighted the growth and opportunities derived from online transactions, data, and media services. Management believes that Artnet will be leading this development in the art market for years to come.

Risks & **Opportunities**

Risk and Opportunity **Report**

Artnet operates in a dynamic market with a strong growth trajectory. To monitor and adapt to a changing landscape, Artnet continuously observes internal and external risks and opportunities outlined in the following Risk and Opportunity Report.

Risk Report

Principles of Risk Managementt

The Group has a risk management system to identify and constantly monitor operating and financial risks. This system, which aims to alleviate the impact of any unforeseen events, is largely comprised of the following five components:

- The finance department, which monitors the actual results of business activities, provides forecast versus actual comparisons as part of monthly reporting, and provides comparisons with the previous year.
- Information technology infrastructure, which ensures and monitors the 24/7 availability and functionality of the website, products and services, and all office communication.
- Compliance, which monitors internal and external legal risks, as well as legislation changes.
- Project management, which monitors the development and progress of projects.
- Ongoing traffic monitoring, which evaluates and tracks the key areas of web traffic..

The risk management system ensures that critical information is passed on to the Group's Management Board directly and promptly. The internal risk report is compiled on a quarterly basis with the assessment separated into categories of probability and possible damages.

Early Warning System ensures identification of potential risks

As a rule, in order to measure, monitor, and control its business growth and risks, the Group uses a management and control system that is mostly based on financial accounting data and key performance indicators for all products. In view of artnet's size and the fact that the Group essentially operates from a single location, risk management operates from a single location, the risk management is also essentially characterized by the fact that the Board of Directors is actively involved in all key dates and in all key decisions. The level of documentation is formalized in accordance with the size. The risk inventory lists the key existing threats and allocates levels of responsibility within the Group. Existing risk potential is observed on an ongoing basis; suitable activities to limit risks are put in place whenever possible. The risk management system includes regular internal reporting on business, current market developments, customer relationships, and a Group-wide budget process, which deals with operating risks and changes in the business climate. This process includes regular analysis of the market and competition.

Dealing with Major Potential Risks

Operative management is directly responsible for the early recognition, control, and communication of risks. As a result, the Group can react to potential risks in a comprehensive and targeted manner. Risk policy is geared to generate sustained growth and secure enterprise value over the long term and to avoid any imponderable risks.

Compliance Management System

Artnet encourages and requires open communication and trusting interaction with and among all employees, customers, and business partners. In addition to the direct exchange with supervisors, the Group employees can provide anonymous and protected information about possible legal violations and other misconduct at any time employing a whistleblower system to which Management can react promptly and appropriately.

Accounting-Related Internal Control System with Regard to the Group Accounting Process

The Management Board has set up an internal control system for the wide range of organizational, technical, and economical workflows in the Group.

A key competency is the principle of the segregation of duties, which aims to ensure that executive (e.g. sales), recording (e.g. accounting), and administrative (e.g. information technology administration) departments are not united in the same place. The principle of dual control ensures that no material workflows go uncontrolled.

Expectations of the Management Board are defined and documented by regular, targeted agreements.

The consolidated financial statement was prepared by the accounting department of Artnet Corp., which has many years of experience and special expertise in consolidation issues.

Risk Assessment

The Group monitors and analyzes various types of risks, categorizing them as operational, legal, compliance, financial, technology, and others. The internal risk monitoring system defines and evaluates both segment-related, as well as company-wide risks. The assessment of risks considers two main factors: the probability of occurrence and the potential maximum amount of damages. Potential damages could be revenue losses or costs, as in the case of legal risks. Where possible, the Group assesses the maximum amount of damages for each risk. In determining operational risks, the maximum amount of damages is weighted against probability and potential frequency of occurrence.

The risks are analyzed for each quarter and grouped according to probability of occurrence and potential damage. The probability of occurrence and potential damage are classified into the following levels: low, medium, high. Within the reporting period, external macroeconomic risk factors and competitive pressures were classified as 'high'. All other risk areas were classified as 'medium' or 'low' in the reporting period.

The Group has identified the following risks:

External Risks

Art Market Economic Trends

The Group can be subject to fluctuations in the art market. Changing conditions in local and global economies affect the art market, but it is unclear to what extent these developments will shape the market in the future. The recovery of the art market post-pandemic, which began in Q2 of 2021, resulted in record sales across the industry. However, inflationary pressure and a tightening of monetary policy during the 2022 financial year have led to a slight contraction of the market.

Well-funded competitors have intensified competition in recent years and put pressure on the Group's market share. Despite the increasing interest in the art market, no competitor has adopted a business model which offers the product diversity and unique synergies that Artnet currently offers.

Downside risks remain, including geopolitical tensions between Russia and the EU, fraught relations between the United States and its trading partners, and prolonged inflationary pressure. Travel restrictions and health concerns caused decreased spending by Chinese collectors, which make up a large part of the market. However, at the time of writing, the Chinese government opened up the market with a positive impact expected for the art market during the 2023 financial year.

Negative consequences of Brexit, such as higher costs for cross-border transactions or currency fluctuations have only moderately affected the local art market up until now. During the 2022 financial year the UK came in third behind the United States and China in terms of volume sold (Source: Artnet Analytics).

The art market generally reacts to major geopolitical and economic trends in industrialized countries, impacting financial markets. An economic slowdown or a recession, accompanied by high price volatility in financial markets could result in declining consumer demand in the mid market—which could also weaken the interest in some segments of the art market. In the event of declining art sales, fewer Artnet price database subscriptions might be sold. Members of Artnet Galleries, who already suffer from high operating costs, could face even more significant financial difficulties or risk going out of business. Finally, global luxury brands and companies might stick to conservative advertising budgets in a longer-term recession, potentially leading to lower revenues for Artnet's Media segment.

Operating Risks

Technology System Infrastructure

Interruptions to the website's functions could reduce the Group's revenue and profit short-term and impact future revenue and earnings. Frequent or sustained service interruptions could cause users to consider the Group's systems unreliable, thus negatively impacting the Group's reputation and revenue. Any interruption increases the Technology Department's work, which leads to delays in the production of new products and services.

Project FALCON, the rebuilding of Artnet's technology infrastructure, has increased the usage of third-party systems, allowing for higher flexibility which reduces in-house development and maintenance risks. The project was completed during the 2022 financial year.

Artnet is currently using Google Cloud (Google Data Center). Google uses the latest security standards and is also continuously developing them, so Artnet does not have to develop them in-house. The migration to the Google Cloud allowed Artnet to switch off its own data centers and save on costs. The technology system has also become much more secure as a result. Even though Artnet is now dependent on a third party, it is less likely to be subject to potential power outages or catastrophes, damages or disruption from flooding, fire, or interruptions to services due to terrorist attacks, computer viruses, and other rare and difficult to predict events.

Product Development

The Group's future success in great part depends on adjusting to technological changes, shifts in consumer purchasing patterns, and new industry standards. Therefore, the Group observes and analyzes market trends.

Based on these analyses, the Management Board decided to improve the site's functionality and launch new products that benefit both existing and potential clients and open opportunities for additional revenue streams - such as the renewed Price Database site and the Artnet News Pro partial paywall. This is supposed to curtail risks of falling behind market standards in areas like security and user experience. The most crucial step for this development was project FALCON, which allows for faster development, adjustment to market trends, and the building of state-of-the-art technology ahead of the competition.

The risk associated with R&D is that market participants might not immediately accept product innovation, and further product development cannot be fully eliminated. As a result, the associated goals might not be met. If revenue is lower than anticipated, the Group's result of operations would be adversely impacted by increasing product development costs and higher operating costs.

There are also risks in product development from competing startups in the market, some of which are directly competing with one or more of Artnet's product segments.

Traffic to the Website

The number of visitors to Artnet sites is of key importance to the Group, and a downturn in these numbers could lead to reduced revenue for all products. The Group monitors traffic daily, automatically as well as manually, to ensure that traffic meets expectations. To further increase visibility to the site, the Group invests in search engine optimization (SEO), advertising, and marketing. The Group monitors visitor numbers and revenue generated through the site. It compares these numbers with the corresponding advertising and marketing expenses to assess the success of SEM, advertising, and marketing campaigns. The group also monitors points of entry, traffic through the site, and consumer behavior, in order to predict fluctuations and optimize.

Legal Risks

Trademark Laws

Artnet protects itself through the trademark of the Artnet name in the Group's main market areas of operation, in particular, the United States, the UK, and the European Union. Trademark infringements are costly and are subject to review from national authorities, which can result in a negative outcome for the Group. The Group protects and defends itself against copyright and other legal claims, but negative consequences for the Group cannot be fully eliminated.

Copyright Laws

The Group uses a number of photographs of decorative art objects in the Price Database. Because of its global outreach and client base, the Group is exposed to varying jurisdictions concerning copyright protection. For this reason, Artnet agreed on a license contract with the Copyright Collective Bild-Kunst in Germany, which has several sister organizations internationally, and the Artist Rights Society in the United States. Given the vast number of images in the Price Database, these contracts do not cover all rights for all images available. To further protect Artnet, agreements with auction houses ensure the rights of use images from auction houses. In response to previous lawsuits, Artnet takes legal action and all necessary contractual steps to avoid future claims. Claims or lawsuits cannot be ruled out. This could impact the Group's net assets, financial position, and result of operations.

KYC (Know Your Customer) Risks

Artnet protects itself from risks associated with KYC by engaging in thorough due diligence and also employing a renowned company specialized in KYC. Since the launch of Artnet's ArtNFT platform, Artnet has increased its due diligence specifically with regards to Cryptocurrencies and Blockchain technology.

Protection of Customer Data

The Group stores customer data in compliance with all current laws and regulations. However, there are new legal initiatives around the world that could tighten regulations. If a third party were to succeed in bypassing the Group's security measures and obtain customer information, the Group could be liable for any damages incurred.

Should the Group violate its privacy policy, it could become the subject of investigation, data protection orders, and customer claims for damages, resulting in possible criminal or regulatory actions. In addition to financial charges from potential lawsuits and damage claims, the Group's reputation could suffer. The Group could potentially lose existing clients and registered users and face reputational risk.

The Group collaborates with privacy experts to legally protect itself and continually responds to data protection law changes. The Group participates in and has certified its compliance with the EU-US Privacy Shield Framework and the Swiss-US Privacy Shield Framework and is committed to subjecting all personal data received from European Union (EU) member countries to align with the General Data Protection Regulations (GDPR), by implementing all necessary compliance and security measures to our operations.

Tax Risks

Due to its international positioning, Artnet operates in many tax jurisdictions (particularly the United States, the United Kingdom, and Germany), each with different requirements. A violation of tax laws (both income and transaction taxes) could negatively affect Artnet.

Also, Artnet is exposed to possible risks from changes in tax legislation for e-commerce. In 2018, the U.S. Supreme Court ruled in South Dakota v. Wayfair that U.S. states may levy sales tax on products even if the seller has no physical presence in the taxing state, as in the case of an order placed via the Internet. This regulation is continuously evolving as more states join, and new metrics for levying sales taxes are established. Artnet is in touch with external tax accountants who are conducting an exposure analysis.

Financial Risk

Foreign Currency Fluctuation, Default, and Liquidity Risks

Artnet conducts some of its business outside of the United States, thereby facing adverse fluctuations in currency exchange rates, particularly the euro and the British pound. As exchange rates are subject to fluctuation, revenue and operating expenses may in rare cases differ substantially from expectations. The Group usually does not engage in exchange rate hedging as the Group accepts payments from customers in euros and British pounds and pays their suppliers in Europe in their respective currencies. The Group considers its exposure to exchange rate risk to be limited.

Foreign currency risks for the Artnet Group also arise from intra-Group euro receivables, which mainly result from the financing of the German-based parent company Artnet AG by the operating subsidiary Artnet Corp. located in the U.S. dollar zone, as well as from the bank balances in euros and British pounds sterling held by Artnet Corp.

Currency translation adjustments arising from the valuation of intercompany long-term loan receivables, which qualify as part of a net investment, are not reflected in the profit or loss of the Group. The Management Board desists from a hedge of this foreign currency risk due to reasons of efficiency.

Since Artnet reaches a wide range of customers and industries with its products and services , there is no significant concentration of default risk for financial assets in the Group. Nevertheless, a global economic downturn could negatively influence the liquidity of the Group's customers and even result in bankruptcy, leading to a prolongation of the average credit period or customer defaults. This would negatively affect the Group's earnings and its financial position. The Group attempts to counter such risks by insisting on upfront payments from its customers whenever possible and through a thorough collection process.

Liquidity risk is the risk that Artnet will not be able to meet its payment obligations when due. Artnet covers its current costs and investments from existing liquidity and operating cash flow and does not have any credit lines. As of December 31, 2022, cash and cash equivalents in US dollars increased to 1,130k USD compared to the previous year (2021: 675k USD). In euros, cash and cash equivalents increased to 1,053k EUR (2021: 593k EUR.) During the financial year, Artnet's liquidity situation was temporarily strained due to the considerable product development investments and the significant increase in operating costs. Further, there was an increase in operating liabilities. To support liquidity, loans were taken out from related parties in July and December 2022. With the approval of the ERC grant in December 2022 and its disbursement in January 2023, Artnet's liquidity situation has eased significantly and the year-end operating liabilities and accrued liabilities can be significantly reduced. In the event that sales revenues do not develop as planned or unforeseen costs arise, liquidity bottlenecks may also occur in the future. In this case, investments or variable costs for product development could be reduced or postponed to counteract the situation.

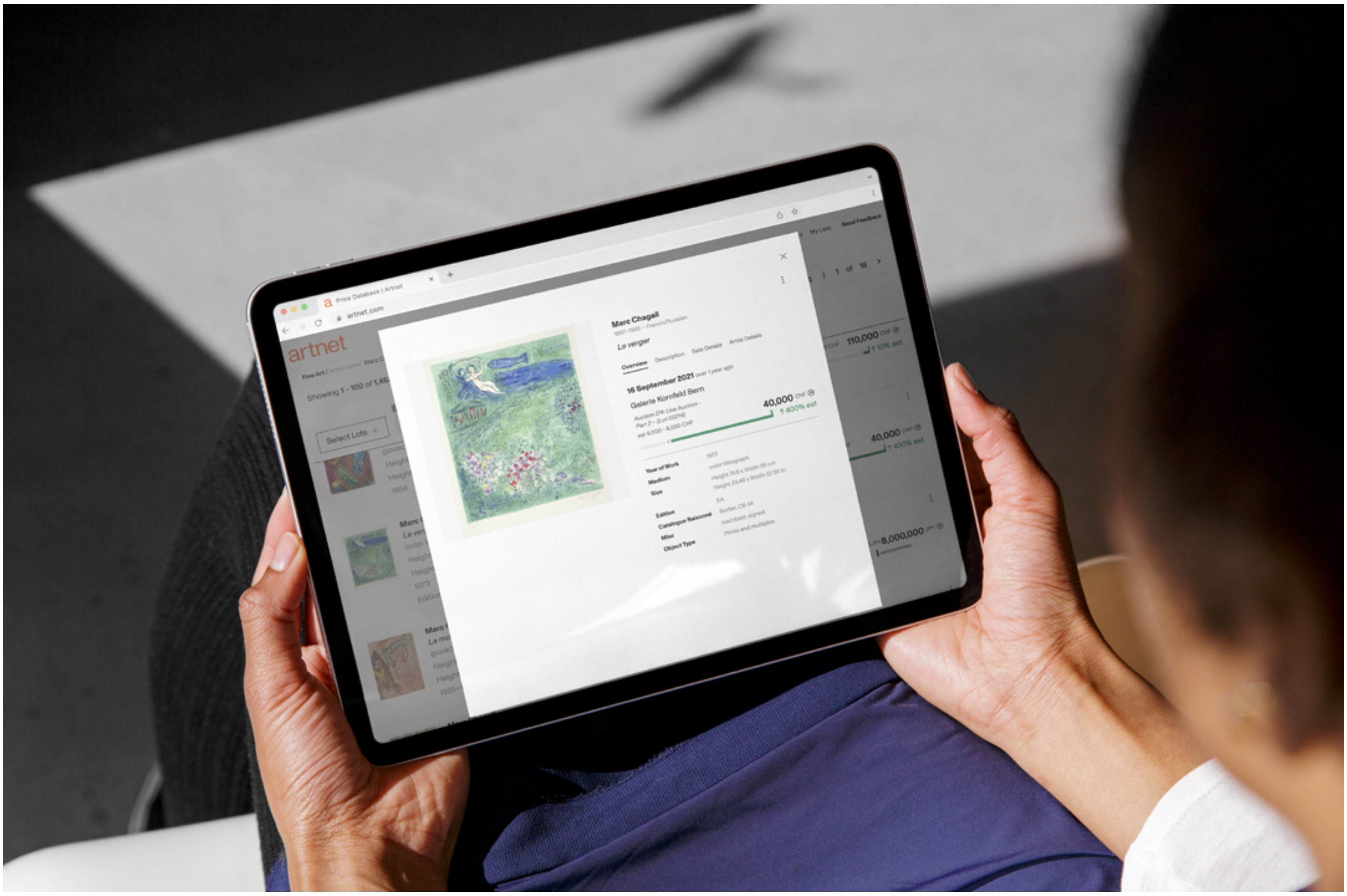
Interest rate risks can be considered insignificant as the Group has interest-bearing debt almost exclusively in the form of leases, each of which has a fixed interest rate.

Other Risks

Key Employees

The labor market for qualified and motivated executives in the art world is very competitive. Given Artnet's relatively small size, the loss of key employees could have a temporary impact on day-to-day operations. As the Group has a highly qualified experienced management team, only a minor efficiency loss is expected in such a case. In order to mitigate this risk, Artnet invested in several key employees during the 2021 and 2022 financial years, thereby ensuring optimal performance and growth potential.

The above list cannot include all risks to which the Group could be exposed at some point. Risks that have not been recognized or unreported could arise and have a negative impact on business performance. The Group continues to monitor its environment and review the effectiveness of the risk management system. Despite continuous adjustments to the risk management system, it is impossible to fully quantify the probability of certain risks or their financial impact.



Artnet’s new Price Database is mobile optimized, enabling insights at art fairs or in the auction room

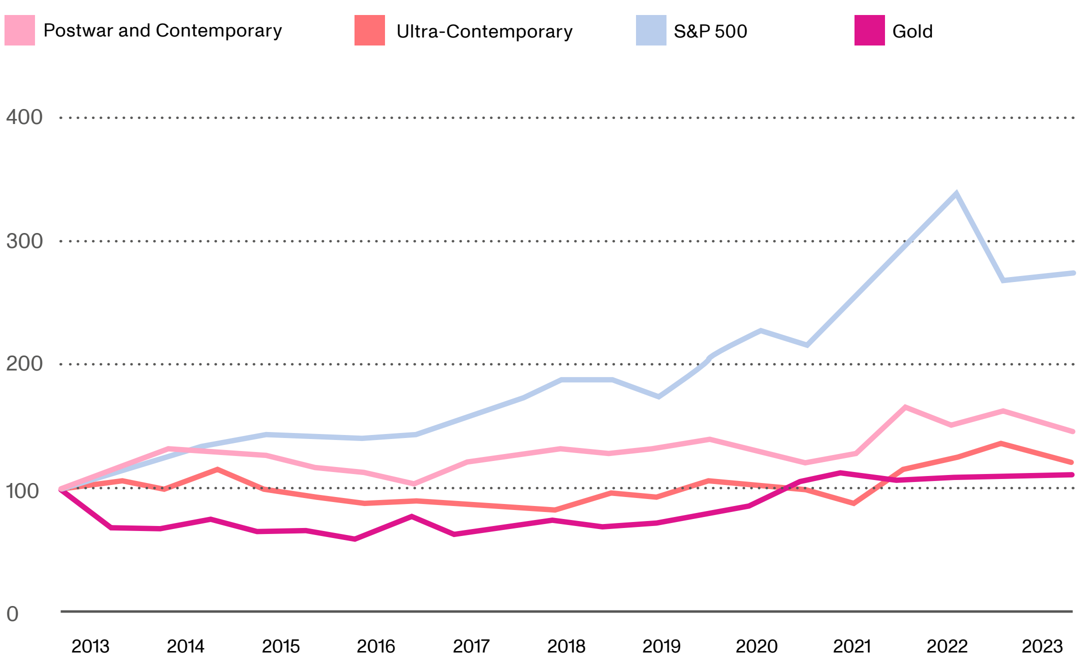
Opportunities
The online art market is increasingly dynamic and has grown exponentially over the past two years, offering new opportunities for Artnet's online products and services. The short and agile decision-making processes allow the Group to respond nimbly to changing environments and trends while weighing potential risks. Opportunities can arise from changes in the internal or external environment.

Art as an Asset Class
Americans stand to inherit nearly $73 trillion over the next 25 years (Source: Bloomberg), a sizable part of which will be fine art and collectibles. Thus, a growing number of high-net-worth individuals worldwide is and will be expanding the Group's client base. These individuals consider art as a passion project as well as an asset class or a collectible for investment. With Artnet's industry-leading data, analytics, and Marketplace, the Group is poised to be a mission-critical tool in the valuation, information, and trading process.

In recent decades, art as a form of investment has become increasingly accepted, as a greater understanding of its appreciation of value is more closely studied and understood. In fact, "Big Four" accounting firm Deloitte estimates that by 2026 over $2.7 trillion will be invested in collectible assets, largely comprised of art objects.

Although fine art is appreciated and collected for its cultural and aesthetic value, it is a formidable financial asset—one that has gained tremendous traction over the past decade, with upwards of 85% of wealth managers as of 2022 recommending art as a means for portfolio diversification (Source: Deloitte).

Index of Postwar and Contemporay vs Ultra-Contemporary vs S&P 500 vs Gold



Source: Artnet Analytics

Consumer Behavior

E-commerce is a very important growth market in the luxury and fine art segment, with over 37% of fine art transactions now happening online (Source: UBS). Collectors have embraced online-only auctions as an easy, efficient, and cost-effective method of buying and selling mid and high-priced fine art. Artnet's Marketplace consistently achieves high prices and sell-through rates with its clear focus on savoir-faire, quality, and transparency, indicating strong growth potential in this dynamic segment.

Artnet is also gaining market share, and is among the top 5 international auction houses in terms of online-only sales volume of postwar and contemporary art, right after Sotheby's, Christie's, and Bonham's (Source: Artnet Analytics).

Artnet Auctions has been focussed on the categories Prints & Multiples, Photography and Post-War & Contemporary art. With the launch of Artnet's ArtNFT site, Artnet is expanding its collector-base - with 300 new collectors during the inaugural NFT sale - and launching a new revenue stream. The overlap between traditional, NFT collectors, and the Metaverse is a promising growth opportunity.

Transaction Speeds and Liquidity

Within the Marketplace segment, Artnet Auctions' online-only model liberates art buyers and sellers from the constraints of traditional spring or fall auction seasons and lets them transact from the comfort of their homes or offices. This also allows Artnet to bring artworks to market in a short time, thereby gaining a competitive edge. The ease, speed, trust, and efficiency of Artnet's marketplace makes fine art more liquid and tradable as an asset class.

In our B2B segment, galleries showcase their artists and works online through Artnet Galleries. Artnet offers these businesses essential alternatives to maintain their business throughout the year and reach a global audience. In this way, the company could attract new clients and users and convince them of the advantages of online transactions. Online transactions, interactions, and immersive experiences are paramount for galleries.

Advertising on Artnet websites and social media channels

Within the Media segment, Artnet News has become the leading online platform for news covering the art industry. The site attracts more readers than all of its direct competitors combined, over 158 Million pageviews during 2022 (2021: 200 million). The platform's quality journalism, exclusive stories and original reporting has increased page views and made Artnet a sought-after advertising platform for luxury brands, financial services companies, and art-related businesses. Artnet's vast social media reach is also being leveraged for advertising campaigns. This trend will continue as advertising budgets are increasingly reserved for online channels and social media and move away from traditional print media.

Asia

Artnet aims to seize opportunities in Asia, particularly in China. The Company's large and growing presence on WeChat, China's leading social media platform, has already led to new registrations for Artnet Auctions the number of which could rise even further. Interest in European and American art is growing in China from which Artnet could benefit strategically.

Synergies Within the Company

The Company's different segments, Marketplace, Media, and Data, offer opportunities for synergies within the Group, which give Artnet an edge and will ensure growth opportunities through 2022 and beyond. Collectors can research and compare artists and movements with other asset classes using the Price Database, inform themselves via Artnet News, and transact in the marketplace, via Artnet Auctions or the Artnet Galleries platform. This seamless integration and experience is unique.

There are further opportunities to leverage and highlight Artnet's broad product portfolio for new product development and to explore additional revenue streams. Artnet has in 2021 and 2022 already taken steps to realize this potential, introducing a partial paywall at Artnet News; harness Artnet Data to launch an art secured lending service; as well as leveraging the trust and expertise of the Artnet Auctions team to launch the new Marketplace.

Brand Opportunities

Artnet's focus on curation, transparency, and trust is strengthening Artnet's brand internationally. This will lead to growing revenue from marketplace transactions, subscriptions, memberships, and advertising. The strong brand continues to ensure that the Company is competitive in finding and retaining talent and clients.

Artnet plays a leading role in the online art market and has stood for quality, reliability, and influence within the industry for more than three decades. Therefore, the Group is an attractive partner for brands and institutions both inside and outside the art industry, further increasing brand awareness and its customer base. Luxury brands such as Saint Laurent, Tiffany's, and Cartier trust the Artnet brand with their business.

Workplace mobility

Given its business model, Artnet is able to employ staff in a decentralized format from around the globe.

Artnet experienced steady, and in many cases, increased productivity of its employees during the Covid-19 pandemic. Now, after successfully working remotely during the Covid-19 pandemic, Artnet staff have expressed their preference for non-traditional, flexible work environments - And the Group is inclined to update its working environment to reflect this global change in conducting business.

Artnet, therefore, will be able to reduce its required office space, closing its current New York office in Q2 2023 in favor of a smaller, more cost effective space, providing substantial rental cost savings.

FALCON

Artnet has improved its website and is rebuilding its technology infrastructure with project FALCON. Project FALCON ensures that Artnet has the most effective and efficient technology foundation to successfully compete and grow in a rapidly changing business environment. It has already made Artnet faster, more agile, and more efficient, on the tech side. Operational and personnel costs will be lower, productivity will increase, and new products will be developed and launched more quickly. Project Falcon was completed during the 2022 financial year - and the first product that was launched with Falcon was the revamped Price Database in Q1 2023.

Statement from the Management Board Concerning Risks and Opportunities

The Management Team monitors and reasonably evaluates all risks and opportunities with the greatest care. The scope of the recent and ongoing economic crisis has not increased any of the listed risks. Management considers the established business model and its strategy to be solid. The only recently added risk category is KYC in conjunction with the ArtNFT platform's sale of NFTs on an Ethereum basis. However, having employed a reputable firm specializing in KYC, management sees this as a minor risk.

The vital roles that the internet and e-commerce play during the current crisis led to fundamental changes in consumer behavior. As the market leader, Artnet will benefit from opportunities in the online art market, data, and media segments.

Having capitalized from the increased digitization of the industry, Artnet is seizing the opportunity to enhance the synergies between its unique products and services to offer an unparalleled user experience. With an unprecedented global interest in fine art, the rise of fine art as a viable alternative asset, and a growing number of ultra high net worth individuals, Artnet will be the premier destination for the modern collector.

Management concludes that the opportunities outweigh the risks and is optimistic for Artnet's future.

Legal Disclosures

Information on Management Practices Applied
(§ 289f HGB / § 315d HGB)

The current Corporate Governance Report (§ 289f HGB / § 315d HGB) can be accessed on the Company's site at artnet.com/investor-relations. In addition to the Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 of the Aktiengesetz (German Public Limited Companies Act), the report contains statements about corporate governance practices and a description of the operating principles of the Management Board and the Supervisory Board. Artnet AG thus aims to keep the account of its corporate governance clear and concise.

Remuneration Report
The remuneration report explains the system for the remuneration of the Management Board and also explains the composition of the remuneration of the Management Board of Artnet AG. Furthermore, the remuneration report contains information on the principles and the individual amount of the remuneration of the Supervisory Board.

Disclosure of Takeover Provisions

Composition of Capital Stock
Artnet AG's fully paid-in capital stock, as of December 31, 2022, totaled 5,706,067 EUR and comprised 5,706,067 no-par value-bearer shares based on a notional common stock of 1.00 EUR per share.

As of December 31, 2022, the Group held 78,081 treasury shares, which remains unchanged from the previous year. For further reference, see the notes to the consolidated financial statements.

Voting Limits or Assignment Limits
There are no restrictions on voting rights or transfer of these shares.

Direct or Indirect Shareholdings which Exceed 10% of Voting Rights
Direct or indirect shareholdings exceeding 10% of voting rights for Artnet AG are held by Galerie Neuendorf AG at 26.73%, and Weng Fine Art AG at 27.35%, as of December 31, 2022.

Preferred Shares
There are no preferred shares.

Voting Rights Monitoring in the Event of Employee Holdings
Any employee with holdings in Artnet AG is obliged to exercise his or her control rights directly.

Appointment and Dismissal of Members of the Executive Board, Amendments to the Articles of Incorporation
Members of the Supervisory Board are appointed and dismissed according to §§ 84, 85 of the German Stock Corporation Act (AktG). The amendments to the Articles of Incorporation were made in accordance with §§ 133, 179 AktG.

Change of Control
Clause Jacob Pabst reserves the right of termination in the event of a change of control, without cash compensation.

Authorization of the Executive Board to Issue and Repurchase Shares
Currently, Artnet has no Authorized or Conditional Capital.

Berlin, May 2, 2023

Jacob Pabst
CEO

Dr. Pascal Decker
for the Supervisory Board

Artnet's London office at Cromwell Place

Consolidated **Financial Statements 2022**

artnet AG Consolidated Balance Sheet As of December 31, 2022

Operating Expenses		2022	2021	2022	2021
	Notes No.	USD	USD	EUR	EUR
Current Assets					
Cash and Cash Equivalents	3	1,130,080	674,591	1,053,009	592,965
Trade Receivables	4	3,158,816	2,986,013	2,943,385	2,624,705
Other Current Assets	5	2,973,270	650,800	2,770,493	572,053
Total Current Assets		**7,262,166**	**4,311,404**	**6,766,887**	**3,789,723**
Non-Current Assets					
Property, Plant, and Equipment	6	387,322	1,497,425	360,907	1,316,237
Intangible Assets	7	6,183,138	4,598,457	5,761,448	4,042,044
Other Non-Current Assets	5	48,341	367,818	45,044	323,312
Deferred Tax Assets	8	1,624,370	1,540,226	1,513,588	1,353,859
Total Non-Current Assets		8,243,171	8,003,926	7,680,987	7,035,452
Total Assets		**15,505,337**	**12,315,330**	**14,447,874**	**10,825,175**
Equity and Liabilities					
Current Liabilities					
Accounts Payable	27	2,505,185	927,626	2,334,331	815,383
Accrued Expenses and Other Liabilities	28	2,602,382	1,764,028	2,424,900	1,550,581
Short-Term Liabilities from Finance Leases	26	1,043,510	1,764,279	972,343	1,550,801
Deferred Revenue	9	3,429,159	2,498,907	3,195,290	2,196,539
Loans	32	489,897	-0	456,486	-0
Total Current Liabilities		**10,070,133**	**6,954,840**	**9,383,350**	**6,113,304**
Long-Term Liabilities					
Long-Term Liabilities from Finance Leases	25		351,585		309,043
Loans	32	275,000	-0	256,245	- 0
Total Long-Term Liabilities		**275,000**	**351,585**	**256,245**	**309,043**
Total Liabilities		**10,345,133**	**7,306,425**	**9,639,595**	**6,422,347**
Shareholders´ Equity					
Common Stock	24	6,032,262	6,032,262	5,706,067	5,706,067
Treasury Stock	24	(269,241)	(269,241)	(264,425)	(264,425)
Additional Paid-In Capital		52,547,769	52,547,769	51,118,251	51,118,251
Accumulated Deficit		(53,893,052)	(52,952,049)	(52,608,840)	(51,812,939)
Current Net Profit		126,714	(941,003)	120,513	(795,901)
Foreign Currency Translation		615,752	591,167	736,713	451,775
Total Shareholders´ Equity		**5,160,204**	**5,008,905**	**4,808,279**	**4,402,828**
Total Liabilities and Shareholders' Equity		**15,505,337**	**13,302,203**	**14,447,874**	**10,825,175**

artnet AG Consolidated Income Statement For the Fiscal Year from January 1 to December 31, 2022

	Notes No.	2022 USD	2021 USD	2022 EUR	2021 EUR
Revenue					
Artnet Marketplace		9,656,147	10,291,761	9,183,639	8,704,777
Artnet Galleries		**4,697,186**	**5,133,772**	**4,467,337**	**4,342,147**
Artnet Auctions		4,958,961	5,157,989	4,716,302	4,362,630
Artnet Data		7,464,819	7,720,523	7,099,540	**6,530,023**
Artnet Price Database		7,464,819	7,720,523	7,099,540	6,530,023
Artnet Media		9,197,029	6,684,577	**8,746,987**	**5,653,819**
Artnet Advertising		8,313,440	6,297,168	7,906,635	5,326,148
Artnet News Subscriptions		**883,589**	**387,409**	**840,352**	**327,671**
Total Revenue	9	**26,317,995**	**24,696,861**	25,030,166	**20,888,619**
Cost of Sales		11,097,925	10,333,194	10,554,866	8,739,821
Gross Profit		**15,220,070**	**14,363,667**	14,475,300	**12,148,798**
Operating Expenses					
Selling and Marketing		9,174,491	6,909,284	8,725,552	5,843,876
General and Administrative		5,017,398	4,691,766	4,771,880	3,968,297
Product Development		2,742,478	3,652,531	2,608,279	3,089,313
Total Operating Expenses		**16,934,367**	**15,253,581**	**16,105,711**	**12,901,486**
Operating Income		**(1,714,298)**	**(889,914)**	**(1,630,411)**	**(752,689)**
Interest Expenses	13	37,089	63,031	35,274	53,312
Interest Income	13	49,499	4,428	47,077	3,745
Other Income/(Expenses)	10,11	1,776,792	58,690	1,689,847	49,640
Earnings Before Taxes		**74,905**	**(889,827)**	**71,239**	**(752,616)**
Income Taxes	14	(32,335)	(12,861)	(30,753)	(10,878)
Deferred Tax Benefit/(Expense)	14	84,144	(38,315)	80,027	(32,407)
Net Profit		**126,714**	**(941,003)**	**120,513**	**(795,901)**
Other Comprehensive Income					
OCI Recycled:					
Differences from Foreign Currency Translation		24.585	53,516	284.939	376,660
Total Comprehensive Income		151.299	**(887,487)**	**405.452**	**(419,241)**
Result per Share					
Basic and Diluted	15	0,02	(0,17)	0,02	(0,14)

artnet AG Consolidated Statement of Cash Flows For the Fiscal Year/Period from January 1 to December 31, 2022

	Notes No.	2022 USD	2021 USD	2022 EUR	2021 EUR
Cash Flow from Operating Activities					
Net Profit		**126,714**	**(941,003)**	**120,513**	**(795,901)**
Adjustments to Reconcile Net Profit to Net Cash provided by Operating Activities:					
Depreciation and Amortization	19	1,603,793	1,569,309	1,494,414	1,379,423
Impairments/Write-Offs for Receivables	21	151,258	258,403	140,942	227,136
Changes in Deferred Tax Assets	14	(84,144)	38,316	(78,405)	33,679
Other Non-Cash Transactions		- 0	- 0	- 0	- 0
Changes in Operating Assets and Liabilities		- 0			
Trade Receivables	21	(324,061)	(1,339,786)	(301,960)	(1,177,671)
Other Current Assets	22	(2,322,470)	81,690	(2,164,078)	71,806
Security Deposits		319,477	56,726	297,689	49,862
Accounts Payable	27	1,577,559	197,572	1,469,969	173,666
Accrued Expenses and Tax Liabilities	28	838,354	255,500	781,179	224,585
Deferred Revenue	9	930,252	408,518	866,808	319,371
Interest Portion of Lease Liability		37,089	63,031	35,274	53,312
Total Adjustments		2,727,107	1,589,279	2,541,832	1,355,168
Cash Flow Provided by Operating Activities		**2,853,821**	**648,276**	**2,662,345**	**559,267**
Cash Flow from Investing Activities					
Purchase of Property and Equipment	19	(14,212)	(3,574)	(13,243)	(3,142)
Purchase and Development of Intangible Assets	18	(2,064,159)	(795,927)	(1,923,383)	(699,620)
Cash Flow Used in Investing Activities		**(2,078,371)**	**(799,501)**	**(1,936,627)**	**(702,762)**
Cash Flow from Financing Activities					
Repayment of Finance Leases	26	(1,072,354)	(960,976)	(999,219)	(844,698)
Loans	32	764,897	0	712,731	0
Interest for Leases		(37,089)	(63,031)	(35,274)	(53,312)
Cash Flow Used in Investing Activities		**(344,546)**	**(1,024,007)**	**(321,762)**	**(898,010)**

artnet AG Consolidated Statement of Cash Flows For the Fiscal Year/Period from January 1 to December 31, 2022

	Notes No.	2022 USD	2021 USD	2022 EUR	2021 EUR
Effects of Exchange Rate Changes on Cash		**24,585**	**53,516**	**56,088**	**165,450**
Changes in Cash and Cash Equivalents		**455,489**	**(1,121,716)**	**460,045**	**(876,055)**
Cash and Cash Equivalents—Start of Year	23	**674,591**	**1,796,307**	**592,965**	**1,469,020**
Cash and Cash Equivalents—End of Year	23	**1,130,080**	**674,591**	**1,053,011**	**592,965**
Supplemental Discosures of Cash Flow					
Income Tax Receipts/(Payments)	14	(32,335)	(12,861)	(30,753)	(10,878)
Interest Payments	13	(37,089)	(63,031)	(35,274)	(53,312)
Interest Receipts	13	49,499	4,428	47,077	

artnet AG, Consolidated Statement of Changes in Shareholders Equity (USD) For the Fiscal Year from January 1 to December 31, 2022

	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance As Of 12/31/2020	**5,706,067**	**6,032,262**	**(269,241)**	**52,547,769**	**(52,952,049)**	**537,651**	**5,896,392**
Net Income/Loss					(941,003)	53,516	(887,487)
Balance As Of 12/31/2021	**5,706,067**	**6,032,262**	**(269,241)**	**52,547,769**	**(53,893,052)**	**591,167**	**5,008,905**
Exerice of Share Options							
Net Income/Loss					126,714	24,585	151,299
Balance As Of 12/31/2022	**5,706,067**	**6,032,262**	**(269,241)**	**52,547,769**	**(53,766,338)**	**615,752**	**5,160,204**

artnet AG, Consolidated Statements of Changes in Shareholders Equity (EUR) For the Fiscal Year from January 1 to December 31, 2022

	Issued Shares	Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation	Total
Balance As Of 12/31/2020	5,706,067	5,706,067	**(264,425)**	**51,118,251**	**(51,812,939)**	**75,115**	**4,822,069**
Net Income/Loss					(795,901)	376,660	(419,241)
Balance As Of 12/31/2021	**5,706,067**	**5,706,067**	**(264,425)**	**51,118,251**	**(52,608,840)**	**451,775**	**4,402,828**
Net Income/Loss					120,513	284,939	405,452
Balance As Of 12/31/2022	**5,706,067**	**5,706,067**	**(264,425)**	**51,118,251**	**(52,488,327)**	**736,714**	**4,808,280**

Notes to the Consolidated Financial Statements 2022

Notes to the Consolidated Financial Statements 2022

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1. Corporate Information and Statement of Compliance

Artnet AG (hereinafter referred to as “Artnet AG” or the “Company”) is a publicly traded corporation headquartered in Berlin, Germany. The address of its registered office is Oranienstraße 164, 10969 Berlin, Germany. The company is entered in the Commercial Register of Charlottenburg District Court under HRB 980060 B.

Artnet AG holds 100% of the shares in Artnet Worldwide Corporation (“Artnet Corp.”), which is located in New York, NY, USA. Artnet Corp. holds 100% of the shares in London based Artnet UK Ltd. Artnet AG and Artnet Worldwide Corp. are referred to as the “Artnet Group,” the “Group,”, the “Company”, or “Artnet.”

The Group’s goal is to provide collectors, galleries, publishers, auction houses, and art enthusiasts with an all-in-one platform to buy, sell, and research fine art. 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, the 24-hour newswire, informs users about the events, trends, and people shaping the global art market.

2. Basis of Accounting

The consolidated financial statements of Artnet AG as of 31 December 2022 were prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), the application of which is mandatory in the EU, in accordance with § 315e of the German Commercial Code (HGB). All IFRSs and IFRICs that have been adopted by the EU Commission as of 31 December 2022 and whose application is mandatory have been observed. The consolidated financial statements and the Group management report of Artnet AG as at 31 December 2022 were authorized for issue by the Management Board on 25 April 2023 and submitted to the Company’s Supervisory Board for approval on the same day. The consolidated financial statements and the consolidated management report are published in the electronic company register.

Numbers included in the consolidated financial statements are stated in Euro (EUR), unless otherwise stated, in accordance with German law. The reporting currency is the euro. All financial information presented in euro is rounded to the nearest thousand (TEUR) unless otherwise indicated. Rounding differences may occur due to the disclosure in TEUR.

Artnet’s main business activities are conducted in the US dollar currency area. For better comparability, especially for our US investors, the consolidated balance sheet, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity are also presented in US dollars (USD).

3. New and Amended Standards and Interpretations for the Fiscal Year

The following new or amended standards and interpretations, for which the application was mandatory in the 2022 fiscal year, did not have any material impact on the Company's consolidated financial statements.

New Features and Changes in Accounting	
New Standards or Interpretations	**Coming into Effect**
Changes in IFRS 3: Business combinations Reference to the Framework Concept	1/1/2022
Amendments to IAS 16 - Property, Plant and Equipment. Revenue before intended use	1/1/2022
Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets Onerous contracts - Contract performance costs	1/1/2022
Annual Improvements 2018-2020 Changes in IFRS 1, IFRS 9, IFRS 16 und IAS 41	1/1/2022

The above changes did not have a significant impact on the Artnet AG Annual Report.

Not Yet Applied New or Revised Standards and Interpretations

Future Features and Changes in Accounting	
New Standards or Interpretations	**Coming into Effect**
Amendments to IAS 1, IFRS Practice Statement 2 - Presentation of Financial Statements including amendments to the guidance document "Making Materiality Judgements". Amendments to Improve Disclosures of Accounting Policies	1/1/2023
Amendments to IAS 8 - Accounting Policies Definition of accounting estimates	1/1/2023
Amendments to IAS 12 - Deferred Taxes Deferred taxes relating to assets and liabilities arising from a single transaction	1/1/2023
IFRS 17 - Insurance Contracts including amendments to IFRS 17 First-time Adoption of IFRS 17 and Amendments Concerning the First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information	1/1/2023
Amendments to IAS 1 - Presentation of Financial Statements Classification of liabilities with covenants as current or non-current	pending
Amendments to IFRS 16 -Leases Lease liabilities in the context of sale and leaseback transactions	pending
Amendments to IFRS 17 - Insurance Contracts	1/1/2023

The new and amended standards to be applied in the future are not expected to have any or only minor relevance for accounting and reporting in the Artnet Group.

4. Basis of Consolidation and Consolidated Companies

The consolidated financial statements include the legal parent company, Artnet AG, its wholly owned subsidiary Artnet Corp., as well as its subsidiary Artnet UK Ltd. A company determines whether it is a parent by assessing whether it controls one or more investees. Control over a company that leads to its inclusion in the consolidated financial statements is deemed to exist if Artnet is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Artnet AG has decision-making powers over a company if it has rights that give it the current opportunity, either directly or through third parties, to control the relevant activities of the investee. The relevant activities are those which, depending on the type and purpose of the company, have a material influence on its returns. Such returns must have the potential to vary as a result of the investee's performance and can be positive, negative, or both. Variable returns include dividends, fixed and variable interest rates, fees and charges, fluctuations in the value of investments, and other economic benefits.

The contribution of the shares of Artnet Corp. made on February 23, 1999, was treated by Artnet AG in the consolidated financial statements in accordance with IFRS 3.B1 et seq. as a reverse acquisition by Artnet Corp. Therefore, the initial consolidation was carried out in such a way that Artnet AG—the legal acquirer of the subsidiary Artnet Corp.— was consolidated as a subsidiary since Artnet Corp. was technically considered the economic acquirer.

On November 1, 2007, Artnet Corp. established Artnet UK Ltd., which is a wholly owned subsidiary of Artnet Corp. Artnet UK Ltd. conducts sales and provides customer support for Artnet Corp. in the United Kingdom.

When preparing the consolidated financial statements, intragroup receivables, liabilities, and results were eliminated within the consolidation of debt, expense, and income items. The income and expenses resulting from intragroup transfers of assets are also eliminated. Accounting policies at subsidiaries are based on uniform group-wide standards.

5. Significant judgements and estimates

The preparation of the consolidated financial statements requires, to a limited extent, assumptions and estimates that affect the reported amounts of assets and liabilities, income and expenses and contingent liabilities. Although these estimates were made by the Executive Board to the best of its knowledge and taking into account all currently available information, the actual results may differ from these estimates.

Estimates and assumptions were made in determining the capitalisability of intangible assets and the useful lives of intangible assets, which are subject to annual review. The actual values may differ from the estimates. Changes are taken into account accordingly at the time of better knowledge.

In particular, the following accounting policies are significantly affected by estimates and judgements made by the Executive Board:

Deferred tax assets

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable for the recognition of deferred tax assets. This requires management to assess, among other things, the tax benefits arising from available tax strategies and future taxable income, and to consider other positive and negative factors. The amount of deferred tax assets could decrease if projected taxable profits decrease.

Capitalisation of website development costs

Capitalisation of website development costs relates to new products and significant enhancements or improvements to the website that the Group believes will result in additional revenue or cost savings in the future. The forecasts for the revenue and cost impact of the new products and development projects are based on the best estimates at the measurement date. However, the actual amounts may differ from the forecasts.

Provisions

Provisions are made for potential legal issues based on reasonable estimates. The opinions of external experts, such as lawyers or tax advisors, are taken into account. Any discrepancies between the original estimate and the actual result in the respective period may have an impact on the Group's net assets, financial position and results of operations.

6. Foreign Currency Conversion

The currency of the primary economic environment in which the Group operates is US dollars, which is the operating currency for the subsidiary Artnet Corp. Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recognized as other income or expenses.

On consolidation, the assets and liabilities of the Group's operations are also translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. The accumulated gains and losses resulting from translation are recorded as a separate component of the Group's equity.

If the conditions of IAS 21.15 are met, intercompany loan receivables are classified as part of a net investment. Accordingly, exchange differences on the loan amount in euros will be recognized in the foreign currency adjustment item in equity at closing dates (including interim reports). The amount recognized in the foreign currency adjustments is reflected in the profit or loss of the Group, if and when the ownership interest is dissolved in full or partly.

Currency exchange rates significant to the Group, are the translation of US dollars to euros, and of US dollars to British pounds (GBP). The following exchange rates have been used for the currency translation in the years presented:

	USD to EUR		USD to GBP	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Current Rate Year End	0.9318	0.8790	0.8263	0.7388
Average Rate for the Year	0.9511	0.8458	0.8114	0.7272

7. Significant Accounting and Valuation Principles

General Principles
The income statement was structured according to the cost of sales method.

Intangible assets
Intangible assets comprise purchased and internally developed software and website development costs. They are recognised at cost and amortised on a straight-line basis over their expected useful lives of three years to ten years. All intangible assets have a finite useful life.

Expenses incurred in the analysis, planning and post-processing phases of website development as well as for its ongoing maintenance are expensed immediately. Expenses incurred in the development phase are capitalized if:
- the product or process is technically and economically feasible,
- the result of the development can be marketed,
- the attributable expenditure can be measured reliably, and
- the Group has sufficient resources to complete the development project.

The criterion of marketability for website development costs is concretised by only capitalizing expenses for the development of new products and for significant enhancements and improvements to the website that are expected to lead directly to future revenue. Capitalized software development costs generate future economic benefits also in the form of cost savings.

Property, plant and equipment
Property, plant and equipment are valued at historical acquisition or production cost less accumulated depreciation. The Artnet Group's depreciation is calculated using the straight-line method. Computer equipment, office furniture and equipment are depreciated over an expected useful life of three to seven years. Depreciation of leasehold improvements is made either over the term of the lease or, if shorter, over the expected useful life not exceeding ten years.

Maintenance expenses that neither increase the value of a fixed asset nor extend its useful life are expensed immediately.

Leases
Right-of-use assets under leases are initially measured at cost, which is the initial measurement of the lease liability, adjusted for payments made on or before the commencement date of the lease and any initial direct costs. The right-of-use asset is then depreciated on a straight-line basis from the inception to the end of the lease term - unless ownership of the underlying asset is transferred to Artnet at the end of the lease term or the cost of the right-of-use asset reflects the fact that Artnet will exercise an option to purchase. In the balance sheet, the Group reports rights of use as property, plant and equipment.

Liabilities from leasing include all obligations from leasing contracts in accordance with IFRS 16. In addition to leasing contracts for operating and office equipment, leasing contracts for office space in particular are reported.

Lease liabilities are measured at the present value of lease payments not yet made at the beginning of the lease term, discounted at the Group's borrowing rate (currently estimated at 3%). The lease payments included in the measurement of the lease liabilities comprise the fixed payments. The lease terms correspond to the non-cancellable minimum lease terms.

The Group took advantage of the facilitation of short-term leases (term of less than 12 months) and low-value assets and recognised the lease payments as an expense over the term of the respective lease.

Lease liabilities are measured at amortised cost using the effective interest method. It was not necessary to remeasure the lease liabilities due to index or interest rate changes or changes in estimates. The contracts do not contain any purchase or renewal options.

Impairment
The Group reviews tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with an indefinite useful life, as well as intangible assets not yet available for use, are subject to an annual impairment test. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount. The recoverable amount is the higher amount of the asset's value in use and its fair value less costs of disposal. In the event that the asset does not generate cash flow independent of other assets, the impairment test is not performed at an individual asset level; instead, it is performed at the level of the cash-generating unit to which the asset belongs.

If the recoverable amount of the cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense as soon as it occurs. The asset's value in use, either at an independent level or at a cash-generating unit level, is basically measured by discounting the asset's estimated future cash flow. Alternatively, the value in use is also determined on the basis of expected lower cash outflow, which in turn is discounted.

If there is an indication that the reasons that caused the impairment loss no longer exist, the Group will assess the need to reverse all or a portion of the impairment, as long as it does not exceed the original carrying amount. In 2022 and 2021, no impairment or attribution of tangible or intangible assets has been recorded.

8. Accounts Receivable
Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. Accounts receivable, with possible discounts, are recorded at the invoiced amount and do not bear interest. They include credit card transactions which have already been settled, but for which no payment has been received. All accounts receivables are in conjunction with the service provided. The accounts receivable balance is presented net of allowance for doubtful accounts.

9. Other Current Assets
Other current assets include both financial and non-financial assets and are measured at amortized cost.

10. Liabilities from Accounts Payable
Accounts payable are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost. Trade accounts payable generally comprise outstanding trade payable and current costs. The average payment term for liabilities is 30 days. The carrying amount of trade accounts payable corresponds to their fair value.

11. Provisions
Provisions are recognized when the Group has a present obligation from a past event, when it is probable that the fulfillment of this obligation is accompanied by the outflow of resources, and when a reliable estimate of the amount can be made.

12. Current tax assets and liabilities and deferred taxes
The current tax expense is calculated on the basis of the taxable income of the individual companies of the Group for the financial year. The taxable income is adjusted for items that are tax-exempt or tax-deductible. The current tax expense is calculated on the basis of the tax rates applicable on the balance sheet date.

Deferred tax is recognised in respect of deductible temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases using the asset and liability method, as long as they can be utilised in the future. Deferred tax liabilities are recognised for all taxable temporary differences.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or a different taxable entity and there is an intention to settle the balances on a net basis.

13. Revenue recognition
In accordance with IFRS 15, revenue is recognised when Artnet transfers control of a good or service.

With the exception of the Marketplace segment, the contracts essentially contain only one performance obligation. The allocation of the transaction price is based on these performance obligations.

For gallery memberships and auction house partnerships, revenue is considered recognised for the period in which Artnet has fulfilled its contractual performance obligation and has created and made available through the Artnet website the corresponding membership or partner pages. Revenues are recognised at the beginning of each performance or billing period and are accrued monthly. Revenue from price database subscriptions is recognised using the same method. Revenue is recognised in the period in which the customer account is established. Revenue recognition from advertising contracts is based on the billing terms stated in the contract, distinguishing between a fixed price and a performance-based model. Revenue from fixed-price advertising contracts is recognised similarly to revenue from gallery memberships and subscriptions to the pricing database: for the period in which banners appear on the website or in newsletters. Revenue recognition for performance-based advertising contracts is recognised after the agreed performance indicators have been assessed and agreed with the respective client. For Artnet Auctions and the ArtNFT platform, buyer and seller commissions are recognised at the moment the Group has successfully arranged the respective transaction.

Therefore, revenues from gallery memberships, price database subscriptions, as well as advertising contracts and auction house partnerships are mainly recognised on a time-period basis, whereas revenues from online auctions are recognised at a specific point in time. Artnet acts as an agent for online auctions and therefore only recognises commission income. In contrast, the sale price of an artwork achieved at auction is not realized.

Revenue is measured at the fair value of the consideration received or receivable, net of any discounts, VAT and other sales-related taxes. The transaction price is allocated to identified performance obligations where the term of the underlying contracts is substantially less than one year. As the transaction price is allocated based on the underlying contract, no other significant judgements are required.

14. Segment reporting

According to IFRS 8, the identification of reportable operating segments is based on the "management approach". According to this approach, external segment reporting is based on internal financial reporting to the highest management body. In the Artnet Group, the Management Board of Artnet AG is responsible for the assessment and management of the business performance and is considered the highest management body in terms of IFRS 8. The operating segments are reported in the same way as this information is reported internally to the Management Board and the Supervisory Board.

The Group's reporting relates to the following segments:

- Marketplace Segment : Comprises the Artnet Galleries and Artnet Auctions products.
  - Artnet Galleries, which presents artworks from member galleries and partner auction houses online.
  - Artnet Auctions, which provides a curated platform for the online buying and selling of artworks

- Data Segment : Includes Price Database and Analytics.
  - The Price Database segment, which includes all data-related products, including the Fine Art and Design Price Database and Decorative Art Price Database, as well as products based on them.
  - Market Alerts and Analytics Reports.

- Media Segment: Includes Artnet News and Advertising.
  - Artnet News provides a 24-hour art news service covering events, trends and personalities in the art market.
  - Advertising includes advertising partnerships with art and luxury brands

The segment reporting is shown in multilevel Contribution Margin calculations. In the first stage, the difference of the generated revenues and the direct attributable variable costs is Contribution Margin I (CM I). In a second step, variable indirect costs, which are not directly attributable to a segment, are subtracted from the CM I by allocating them to the segments with an allocation key. The so-determined Contribution Margin II (CM II) is the amount available by segment to cover the fixed costs.

Management decisions for segments are based on the CM II (revenue minus direct and indirect variable costs), which is therefore presented below as the segment result. Indirect attributable expenses are allocated to the segments using the ratio of headcounts and revenue for each segment. The segment reporting is presented, similarly to the internal communication, in US dollars. An allocation of assets or liabilities for each segment is not provided to Management. Therefore, segment-related assets and liabilities are not presented in this report.

Segment reporting is done exclusively on a US dollar basis in accordance with internal communication. A valuation of assets or liabilities per reportable segment is not provided to management and therefore not reported.

The following table shows the sales revenues and the contribution margins II of the segments in comparison with the previous year:

2022	Revenue k USD	Contribution Margin II k USD
Marketplace	9,656	1,800
Data	7,465	4,091
Media	9,197	2,068
Total	26,318	7,959

2021	Revenue k USD	Contribution Margin II k USD
Marketplace	10,292	2,341
Data	7,721	4,273
Media	6,685	1,334
Total	24,697	7,948

The reconciliation of the CM II to the operating income of the Group is presented in the following table:

Reconciliation of Segments Contribution Margin II to the Operating Income	2022 k USD	2021 k USD
Contribution Margin II	7,959	7,948
Fix Costs included in Sales Expenses Including Depreciation 540k USD (Previous Year: 465k USD)	4,561	4,009
Fix Costs included in General and Administrative Expenses including Depreciation 1,064k USD (2021: 1,066k USD)	4,473	4,225
Fix Costs included in Product Development Expenses	639	604
Operating Income	(1,714)	(890)

While the allowances for doubtful receivables presented below affect the individual segment results as non-cash expenses, the allocation of scheduled depreciation and amortization to the individual segments is reported regularly to the Management Board:

2022 k USD	Scheduled Depreciation/ Amortization	Allowance for Bad Debts
Marketplace	615	219
Data	486	35
Media	502	2
Total	1,604	256

2021 k USD	Scheduled Depreciation/ Amortization	Allowance for Bad Debts
Marketplace	605	429
Data	494	75
Media	470	2
Total	1,569	506

17. Revenues

As all contracts have a term of one year or less, no performance obligations included in the 2022 financial statements were fulfilled in prior periods.

Outstanding performance obligations amount to 1,477k EUR (2021: 1,428k EUR) for Price Database, 335k EUR (2021: 320k EUR) for Galleries, 1,120k EUR (2021: 261k EUR) for Advertising and 263k EUR (2021: 187k EUR) for Artnet News Pro.

Customers make advance payments for certain service contracts with the Group. These advance payments are only recognised as revenue when the Group provides the agreed service. The Group recognises these amounts as contract liabilities of 3,195k EUR as at 31 December 2022 compared to 2,197k EUR in the previous year. The contractual liabilities as at 31 December 2021 were fully recognised as revenue in 2022. The recognised contractual liabilities are not subject to discretionary decisions as they are based on the outstanding performance obligation.

Contract assets included in receivables amount to 386k EUR (2021: 413k EUR).

18. Breakdown by geographical region

The Group's business is conducted primarily in the USA, where it is represented by its subsidiary Artnet Corp.

The following table breaks down the Group's revenue by geographic market:

Revenue	2022 k EUR	2021 k EUR
US	15,706	12,097
Europe (excluding Germany)	5,480	4,834
Germany	1,372	1,448
Other	2,472	2,510
Total	25,031	20,888

19. Other Income and Expenses

Explanation of the main items of other operating income. Other income increased to EUR 1,690 thousand (2021: EUR 50 thousand), mainly due to the ERC grant of EUR 2,135 thousand awarded in the USA. Artnet applied for this grant, which was introduced by the Coronavirus Aid, Relief and Economic Security Act, in May 2022 to encourage employers to continue employing their staff during the coronavirus pandemic. Artnet applied for claims for three quarters of the 2021 financial year, which were approved in December 2022, including 46 TEUR in interest income.

20. Personnel Expenses

The consolidated statement of comprehensive income includes personnel expenses for the fiscal years stated in the following expense categories:

Personnel Expenses by Expense Category	2022 k EUR	2021 k EUR
Cost of Sales	5,3772	4,820
Sales and Marketing	6,311	5,087
General and Administrative Expenses	2,605	1,909
Product Development	1,408	2,436
Total Personnel Expenses	15,781	14,252

The total personnel costs in the 2022 and 2021 fiscal years include social security expenses of 1,928k EUR and 1,554k EUR, respectively, and 401(k) expenses of 221k EUR and 187k EUR, respectively.

21. Other Operating Expenses

Explanation of the main items of other operating expenses. In the 2022 financial year, 327 kEUR of consultancy costs related to the ERC application were recognised as other expenses. In 2022, realized and unrealised exchange losses amounted to EUR 107k (2021: exchange losses of EUR 51k).

Additionally, artnet recognized 55k EUR expenses related to Artnet X Annish Kapoor partnership; the partnership was postponed and later on canceled due to Covid-related shut-downs. Artnet estimated 50% of the cost was not recoverable and hence released from prepaid. Additionally, 6.7k EUR cost related to the loan of Fine Art Luxemburg was included in other expenses.

22. Financial income and financial expenses

The financial result mainly includes the interest expense for liabilities from leasing in the amount of TEUR 27 (2021: TEUR 53).

23. Income taxes and deferred taxes

Income tax expense/income is composed as follows:

	2022 k EUR	2022 k EUR
Current Income Taxes		–
Income Tax Payments in France and Great Britain	-4	(2)
US Corporate Tax (Federal, State) and Income Tax Expenses of Other Consolidated Companies	-27	(9)
Tax Returns from Previous Years		–
Total Current Income Taxes	-31	(11)
Deferred Tax		–
Change in Deferred Tax Assets Based on Loss Carryforwards	45	(52)
Temporary Differences	115	115
Exchange Rate Differences	-80	(95)
Total Deferred Taxes	80	(32)
Total Income Taxes	43	(45)

Deferred Tax Asset

As of the 2022 balance sheet date, Artnet Corp. has a total of 983k EUR (1.1 million USD) in federal carried-forward tax losses and 21.6 million EUR (23.1 million USD) in carried-forward state tax losses from the state of New York available to offset future profits. As of December 31, 2021, the carry forward tax losses for Federal tax was 1.0 million EUR (1.2 million USD) and 21 million EUR (23.8 million USD) for the State of New York which are applicable towards future profits.

For the actual carried-forward tax losses and the deductible temporary differences of Artnet Corp., deferred tax assets of 1,514k EUR (2021: 1,354k EUR) were recognized in the consolidated balance sheet. In 2022, the increase in deferred tax assets by 84k USD was mainly due to the additional deductible temporary differences that will lead to higher tax amortization in the future. On a EUR basis, deferred tax assets have increased only by 160k EUR due exchange rates differences.

Following the adjustment of the apportionment to measure deferred taxes, the tax rate has been increased from 26.5% to 27.5%, which is the average corporate tax rate for Artnet Corp. The recognition of deferred tax assets on carried-forward tax losses and on temporary differences from tax capitalization and amortization is based on a three-year plan. The federal carried-forward tax losses of Artnet Corp. can be used over a period of 20 years and expire in 2022 in the amount of 82k EUR (88k USD). The State of New York carried-forward tax losses expire only from the year 2035.

Artnet AG has additional carried-forward tax losses available to offset corporation and commercial tax in the amount of 40.1 million EUR (2021: 39.1 million EUR). In the current organizational structure of the Group, these tax loss carryforwards cannot be used under the German tax law.

In total, current active and passive deferred taxes relate to temporary differences of the following balance sheet items and carried-forward tax losses of Artnet Corp.:

	Deferred Tax Assets 12/31/2022 k EUR	Deferred Tax Assets 12/31/2021 k EUR
Deferred Tax Assets	270	225
Fixed Assets	73	251
Accounts Receivable	1,177	877
Total	1,514	1,354

Tax Rate Reconciliation

The following table reconciles the expected income tax expense and/or benefit to the actual income tax expense presented in the financial statements.

The tax rate of 27.5% (2021: 26.5%) is the average income tax rate of Artnet Corp., because Artnet Corp. is the main operating entity that generates the taxable income of the Group.

	2022 k EUR	2021 k EUR
Earnings Before Tax from Continued Operations	71	753
Expected Income Tax Expense/(Benefit)—Tax Rate 27.5%	(20)	199
Non-Taxable Income	16	9
Non-Deductible Expenses and Other Effects	(13)	(17)
Effect of Tax Rate Adjustments in the US	55	(61)
Reduction in Current Tax Expense Due to the Use of Tax Loss Carryforwards in the US	321	75
Non-Recognition of Deferred Tax Assets on Temporary Differences and Tax Loss Carryforwards in Germany and the US	(310)	(248)
Income Tax Expense / Tax Income as Per Statement of Comprehensive Income	49	(43)

24. Earnings per Share

The undiluted earnings per share are calculated by dividing the Group result by the weighted average number of ordinary shares in circulation in the reporting year. As there are no more potentially dilutive shares from stock options, the diluted earnings per share correspond to the undiluted earnings per share as in the previous year.

The calculation of earnings per share is based on the following:

	2022 EUR	2021 EUR
Numerator (Earnings): Net income for the fiscal year	121	(795)
Denominator (Number of Shares): Weighted average number of ordinary shares used to calculate basic earnings per share (issued and fully paid ordinary shares)	5,627,986	5,627,986

25. Other comprehensive income (OCI)

Exchange difference on translating foreign operations of 25k USD (2021:54k USD) was recognized under Other Comprehensive Income.

26. Net Operating Income

The net operating income stated results after the deduction of the following operating expenses:

	2022 k EUR	2021 k EUR
Scheduled Amortization/Depreciation	1,372	1,332
Personnel Expenses	15,781	14,252

Scheduled depreciation and amortization are presented in the consolidated statement of comprehensive income as part of the cost of sales and related to the offices as part of General Administrative expenses. The breakdown of the amortization of intangible assets and tangible assets is listed in sections 6 and 7 of the consolidated notes.

27. Statement on the Consolidated Balance Sheet

Intangible Assets

In 2022, 1,963k EUR (2021: 673k EUR) of the total development was capitalized. The main development project includes the process of upgrading the technology infrastructure and internal tools. The process of upgrading our technology infrastructure, the project FALCON, will improve quality assurance and efficiency for the whole company.

The year 2022 marked a period of reinvention for Artnet in terms of technology. Over the past year, new leadership created a product team and underwent a large Agile transformation. These advances set up the Artnet Technology Team to realize important deliverables, such as a new API platform, single login across our verticals, gallery enhancements, and the reimagined Price Database. In addition, we enhanced the Buy Now functionality on our Auctions platform, allowing for increased sales. Our major security updates make Artnet one of the most secure platform within the art industry. The massive momentum we have generated in the second half of 2022 will carry us forward for the initiatives slated for 2023. With a focus on planning, we are able to set the technology teams up for consistent project development with the ability to pivot easily in our new agile environment.

During 2021, Artnet rolled out the Identity Provider element of FALCON, which will serve as the authentication foundation for the platform. It will support authentication and authorization across Artnet's API and data services layer – and was completed during 2022. The first project to be completed using FALCON was the revamped Price Database, which was published in a Beta environment during Q4 2022 and will be made accessible to all customers during Q1 2023.

Artnet is also moving to a modern manufacturing process with FALCON, becoming a software factory, as it were. This will allow Artnet to produce products similar to the way cars are built in a factory. There are many benefits to a factory approach. Increased consistency will lower the cost of training and maintenance. Reusable code components lower the risk of design flaws and defects, thereby ensuring quality. The streamlining and automating of product development increases productivity and reduces personnel costs as well. Also, Artnet will be able to buy specialized software from external vendors much less expensively than developing it in-house. The recoverable amount of the development costs is subjected to an impairment test at least once a year, provided that the asset has not been used yet or if there are any indications of impairment over the year. With regard to FALCON, the first criterion was relevant. Therefore, although this is not mandatory, Artnet performs an annual impairment test on the entire carrying amount of FALCON. The asset's value in use at an independent level is measured by discounting the asset's expected cost savings, following the excess profit method calculation. As the recoverable amount calculated is significantly higher than the book value, no impairment loss was recognized on intangible assets.

The amortization expenses for intangible assets are included in the cost of sales. Research costs and ongoing maintenance in the amount of 2,608k EUR (2021: 3,089k EUR) were recorded as a development expense in the period in which they were granted.

For 2023, Artnet technology is going to be 100% customer focused. Initiatives include unifying our platform and offering blended experiences that merge research, analytics, and news, all connected with the ability to buy art online. The experience will be mainly driven by information derived from ML models and user actions, creating an unparalleled personalized experience for customers. Other areas of focus will be search and key Marketplace enhancements. The technology team at Artnet is at optimum capability and talent, and is the strongest in the company's history.

Intangible assets in the 2022 and 2021 fiscal years developed as follows:

	Development Costs k EUR	Software k EUR	Total k EUR
Acquisition Costs			
As of 12/31/2020	6,211	216	6,427
Exchange Differences	491	16	507
Disposals	-	-	-
Additions	673	-	673
As of 12/31/2021	7,375	232	7,608
Exchange Differences	403	14	417
Disposals	-	-	-
Additions	1,963	-	1,963
As of 12/31/2022	9,742	246	9,988
Amortization			
As of 12/31/2020	2,832	197	3,029
Exchange Differences	223	15	238
Disposals	-	-	-
Additions	284	13	298
As of 12/31/2021	3,340	226	3,565
Exchange Differences	192	13	205
Disposals	-	-	-
Additions	449	7	456
As of 12/31/2022	3,980	246	4,226
Carrying Amount			
As of 12/31/2021	4,035	7	4,042
Includes: Finance Leases	-	6	6
As of 12/31/2022	5,761	-	5,761
Includes: Finance Leases	-	-	6

As at 31 December 2022, the Group had no material contractual obligations for the acquisition of intangible assets.

Tangible Assets

Tangible assets in the 2022 and 2021 fiscal years developed as follows:

	Office Space (Right-of-use Asset) k EUR	Computer and Hardware k EUR	Operating and Office Equipment k EUR	Leasehold Improvement k EUR	Total k EUR
Acquisition Costs					
As of 12/31/2020	3,728	544	472	352	5,097
Exchange Differences	260	39	34	26	359
Disposals	–	–	–	–	–
Additions	–	11	–	–	11
As of 12/31/2021	3,989	593	507	378	5,466
Exchange Differences	225	33	29	23	309
Disposals	–	–	–	–	–
Additions	–	15	4	–	19
As of 12/31/2022	4,213	641	540	401	5,795
Deprecation for the Period					
As of 12/31/2020	1,672	440	463	305	2,879
Exchange Differences	150	33	34	24	241
Disposals	–	–	–	–	–
Deprecation for the Period	933	58	2	36	1,029
As of 12/31/2021	2,755	532	498	367	4,150
Exchange Differences	134	29	29	22	214
Disposals					
Deprecation for the Period	1,011	42	2	14	1,069
As of 12/31/2022	3,901	602	530	401	5,434
Carrying Amount					
As of 12/31/2021	1,234	62	8	13	1,316
Includes: Finance Leases	1,234	–	–	–	1,234
As of 12/31/2022	312	39	10		361
Includes: Finance Leases	312	–	–	–	312

The depreciation expense of tangible assets is included in the cost of sales. As far as the rights to use offices are concerned, the depreciation is included in the General Administrative expenses. As of December 31, 2022, the Group had no significant contractual obligations for the acquisition of intangible assets.Nearly all assets of the Group, including tangible and intangible assets, are in the United States; except for the right of use of the Berlin office.

The planned depreciation of tangible and non tangible assets of 1,494k EUR are, such as in the previous financial year, nearly all in the United States (2021: 1,379k EUR).

Other Non-Current Assets

Other non-current assets include deposit claims in connection with credit card statements and rental agreements of 45k EUR (2021: 323k EUR).

Accounts Receivables
Accounts receivable consist of the following:

	12/31/2022 k EUR	12/31/2021 k EUR
Gross Accounts Receivable	2,936	2,825
Gross Contract Assets	386	413
Subtotal	3,322	3,238
Less: Allowance for Value Adjustment Accounts Receivable	(379)	(613)
Receivables After Impairment	2,943	2,625

Allowances for value adjustment were exclusively recorded as of December 31, 2022, and December 31, 2021, respectively, for accounts receivable, as well as contract assets. Accordingly, only the simplified approach for accounts receivable is presented below. Default in accordance with IFRS 9 occurs when accounts receivable is more than 30 days past due. For other financial assets, in particular for cash and cash equivalents, it was not necessary to recognize loss allowances.

The credit risk is managed at a portfolio level. Artnet attempts to reduce the credit risk by requesting and receiving payments in conjunction of performing a service. In the case of major new customers, creditworthiness is first analyzed on an individual basis before business relationships are entered. In addition, the loss of receivables is to be minimized through continuous contact between the Client Service, Sales Department and the customers.

There is no concentration of credit risk with respect to accounts receivable, as the Group has a diversified and international customer base. The accounts receivable balance consists of various receivables from customers located globally. The carrying amount of accounts receivable is equal to their fair value.

Receivables by maturity and expected credit loss:

	Loss Rate	Nominal Value k EUR	Valuation Allowance k EUR	12/31/2022 k EUR	12/31/2021 k EUR
Overdue But Not Impaired Receivables					
Between 0 and 60 Days	0%	1,992	0	1,992	2,107
Carrying Amounts of Receivables					
Overdue Between 61 and 90 Days	10%	440	48	392	203
Overdue Between 91 and 180 Days	25%	269	39	230	224
Overdue More than 90 Days	90%	621	292	329	91
Total Overdue and Impaired Receivables		1,331	379	952	518
Receivables After Impairment		3,322	379	2,953	2,625

The allowance for doubtful accounts involves significant Management judgment, and the review of individual receivables based on individual customer credit worthiness, current economic trends, and the analysis of historical bad debts on a portfolio basis. Actual results could differ from those estimates.

Artnet uses a provision matrix to determine expected credit losses. The loss rates were derived from migration probabilities, for which historical data was used. The migration probabilities give the probabilities with which a receivable progresses through successive stages in the payment delay. This analysis is performed annually and the value adjustment matrix will be adjusted if deemed necessary. Future-related data are taken into account, in particular, in the form of the general economic outlook in the countries from which most customers originate. On the other hand, additional value adjustments are made on receivables in the Auctions segment, which are derived from historical data.

The allowance for doubtful accounts is the Group's best estimate of the amount of expected credit losses in the Group's existing accounts receivable. Accounts receivable and contract assets that are less than 60 days overdue are not counted in the allowance of bad debt calculations. Accounts receivable that are more than 60 days overdue are grouped into 3 groups, based on the age of the individual receivable, with allowances between 10% and 90% of the nominal value.

The Group does not hold any collateral for accounts receivable balances.

Allowance for doubtful accounts developed as follows:

	12/31/2022 k EUR	12/31/2021 k EUR
Balance at the Beginning of the Fiscal Year	613	619
Bad Debt Expenses for the Year	244	428
Write-Off of Bad Debts	(510)	(496)
Currency Exchange Differences	32	63
Balance at the End of the Fiscal Year	379	613

28. Other current Assets

They are composed as follows:

	12/31/2022 k EUR	12/31/2021 k EUR
ERC Credit	2,180	0
Deposits and Prepayments	247	247
US Income Tax receivables	5	5
Restricted cash balances	256	239
Tax claims in Germany and the United Kingdom	34	39
Other	2,228	42
Total	2,770	572

The restricted cash balances are mainly related to defined contribution retirement plans and health plans.

The other current assets are mainly 2,180k EUR receivable from the IRS related to ERC. Artnet applied for ERC credit in May 2022, ERC was introduced in the Coronavirus Aid, Relief and Economic Security Act, aiming to encourage employers to keep their employees on the payroll during the months affected by the coronavirus pandemic. Artnet submitted an application for three quarters of the 2021 financial year, which was approved in December 2022. The funds were paid out to Artnet on 4 January 2023.

29. Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and bank balances. Cash and bank balances are stated at fair value. The Company considers all highly liquid investments with less than three-month maturity from the date of acquisition to be cash equivalents.

30. Equity

	2022	2021
Authorized No-Par Value Shares (accounting par value 1.00 EUR per share)	5,706,067	5,706,067
Issued and Fully-Paid No-Par Value Shares (accounting par value 1.00 EUR per share)	5,627,986	5,627,986
Treasury No-Par Value Shares	78,081	78,081

All Artnet AG shares are registered shares.

Authorized and Conditional Capital

Artnet currently has neither authorised capital nor conditional capital.

Treasury Shares

As of December 31, 2022, Artnet AG held 78,081 of its own shares, as in the previous year, representing 1.4% of common stock. The Group's equity will be reduced by the acquisition costs of Artnet AG's treasury stock.

Foreign Currency Adjustment Items

On consolidation, the Group's assets and liabilities are translated at the closing rate. Income and expense items are translated at the average exchange rate for the financial year. Since the initial consolidation, exchange differences arising from translating assets and liabilities at the closing rate of the financial year and translating income and expense items at the average exchange rate of the financial year are recognized directly in equity as the separate item "Foreign Currency Translation."

The foreign currency translation adjustment item also includes the translation difference resulting from exchange rate changes on intercompany loan receivables that qualify as part of a net investment. For an explanation of these exchange rate differences, please refer to Note 17 of the notes to the consolidated financial statements under foreign currency risk.

31. Long Term Liabilities

On July 27th, 2022, the company was granted a loan in the amount of 275k USD, the maturity date of the loan originally December 31, 2022, was extended to January 31st, 2024 on January 1st, 2023.

Lease Liabilities

The lease liabilities developed in 2022 and 2021 as follows:

	2022 k EUR	2021 k EUR
Opening Balance	1,859	2,516
Payments	(1,043)	(859)
Interest	27	53
Exchange rate differences	128	149
Total	972	1,859

In the 2022 financial year, expenses amounting to 5k EUR (2021: 42k EUR) for short-term leases were recognized directly as general and administrative expenses.

The reconciliation from minimum lease payments to present value is as follows:

12/31/2022	Total k EUR	< 1 year k EUR	> 1 – 3 years EUR
Present Value of Minimum Lease Payments	972	972	0
Interest Portion	2	2	0
Minimum Lease Payments	974	974	0

12/31/2021	Total k EUR	< 1 year k EUR	> 1 – 3 years EUR
Present Value of Minimum Lease Payments	1,860	1,551	309
Interest Portion	28	25	3
Minimum Lease Payments	1,888	1,576	312

32. Contract Liabilities and Revenue Recognition

In accordance with IFRS 15 revenue is recognized when Artnet transfers control of a good or a service.

With the exception of the Galleries segment, all contracts include mostly one performance obligation. The allocation of the transaction price is based on these performance obligations. For Gallery Network memberships and Auction House Partnerships, revenue is recognized when the Group meets its performance obligation and the respective member site is created, and thus is available on the Group's website. Revenue is recognized at the beginning of each performance or billing period and will be deferred on a monthly basis. Revenue from Price Database subscriptions are recorded by the same methodology. Revenue is realized in the period when the customer account is created. Revenue recognition of advertising contracts is based on the billing terms mentioned in the contract, with a distinction made between a fixed price and a performance-based model. Revenue from advertising contracts with a fixed price are recorded similarly to the revenue from gallery memberships and subscriptions to the Price Database: for the period in which banners appear on the website or in newsletters. Revenue recognition for performance-based advertising contracts will be recognized after the agreed performance indicators were evaluated and coordinated with the relevant customer. For Artnet Auctions and the ArtNFT site, buyer and seller commissions are realized at the moment when the Group has arranged the corresponding business successfully.

Therefore, revenue from gallery memberships, Price Database, advertising, and Auction House Partnerships is mainly recognized when transferred over time, whereas revenue from online auctions is recognized at a point in time. Artnet acts as an agent for online auctions, and therefore, only recognizes the commission income. In contrast, the sale price of an artwork is not realized.

Revenue is measured at the fair value of the received, or to be received, minus any discounts, VAT, and other sales tax. The transaction price is allocated to the identified performance obligations for which the duration of the underlying contracts is mainly less than one year. As the transaction price is allocated based on the underlying contract, no further judgments are necessary.

As all contracts have a duration of one year or less, no performance obligations included in the financial statement of 2021 were satisfied in previous periods.
The outstanding performance obligations relate to the Price Database (1,477k EUR; 2021: 1,428k EUR), Galleries (335k EUR; 2021:320k EUR), Advertising (1,120k EUR; 2020:261k EUR) and News Pro (263k EUR; 2021:187k EUR).

Customers make advance payments for certain service contracts with the Group. These prepaid amounts are realized as revenue only when the Group provides the agreed service. The Group records these amounts as contract liabilities as of December 31, 2022, amounting to 3,195k EUR, as compared to 2,197k EUR in the previous year. The contracted liabilities as of December 31, 2021, were completely recognized as revenue in 2022. The recognized contract liabilities are not subject to any accounting estimates as they are based on the outstanding performance obligation.

The contract assets included under the accounts receivable amount to 386k EUR (2021: 413k EUR).

33. Accruals and Other Liabilities

Accrued liabilities and other liabilities developed as follows in the financial years presented:

	12/31/2022 k EUR	12/31/2021 k EUR
Outstanding Invoices	1,0733	857
Bonus Payments	866	275
401(k) Payments (Retirement Provisions in the US)	194	163
Remaining Vacation Days	41	56
Taxes and Social Security	164	126
Other	87	73
Total	2,425	1,550

Capital Management

The capital structure for the Group consists primarily of current liabilities from current business transactions, lease liabilities and equity. Equity is attributable to the shareholders of the parent company and consists mainly of common stock, additional paid-in capital, and the accumulated results of the Group. The leasing liabilities arise in particular from the office rental agreements in New York and Berlin with terms until 2023 and 2022, respectively. Additionally, a non-refundable grant of 2 Million USD was granted by the U.S ERC in 2022 and paid out in Q1 2023.

Currently, almost all business activities are financed out of bank deposits and operating cash flow. In addition, the company took out two loans: a 275k USD loan, to be repaid in January 2024; another loan with Galerie Nenendorf for 507k USD expected to be repaid in December 2023.

The Artnet Group's cash flow statement shows the change in cash and cash equivalents during the reporting period based on cash transactions. In accordance with IAS 7, cash flows are shown separately according to origin and use from operating, investing and financing activities.

Cash inflows and outflows from operating activities are derived indirectly, based on the Group's net profit for the year. In contrast, cash flows from investing and financing activities are determined directly from cash inflows and outflows.

The acquisition of property, plant and equipment as well as intangible assets or rights of use through leases is eliminated from the cash flow statement, as these investments are non-cash. Subsequent repayments of principal and interest are reported in the cash flow from financing activities.

The development of the individual cash flows results in the change in the Group's cash and cash equivalents after taking into account exchange rate effects. The cash and cash equivalents shown in the cash flow statement include all cash and cash equivalents shown in the balance sheet.

34. Financial Instruments and Risks Arising from Financial Instruments

Financial Risk Management

The financial risk management system comprises all organizational regulations and activities for the systematic, regular, and Group-wide implementation of those processes that are necessary for risk management. A person responsible is appointed for each type of risk. The Management Board is regularly informed about the overall risk situation of the Group, which in turn reports to the Supervisory Board. The financial risk system is part of the risk management system, which is documented in a risk manual. Significant risks monitored and controlled by the Group's financial risk management system include credit risk, liquidity risk, currency risk, and interest rate risk.

Categories of Financial Instruments

The Group's financial assets are cash and cash equivalents, accounts receivable, and rent security deposits. These financial assets are classified under the category "Financial Assets measured at cost". The Group's financial liabilities comprise accounts payable, lease liabilities, loan liabilities, and other liabilities. Financial liabilities are measured at amortized cost using the effective interest method. Both the carrying amounts of financial assets and the carrying amounts of financial liabilities are a reasonable approximation of their fair value. No financial assets or financial liabilities were designated at fair value.
In the 2022 and 2021 fiscal years, the Group did not use any derivative financial instruments.

Net Results from Financial Assets and Liabilities

The following chart shows the net results arising from financial assets and liabilities:

	Net Results 2022 k EUR	Net Results 2021 k EUR
Loans and Receivables	(297)	(482)
Financial Liabilities	20	(59)
Total	(277)	(541)

The components of net results are gains or losses from exchange rate differences, bad debt expenses for doubtful accounts, write-offs and interest expense. Net income from financial liabilities includes interest expenses of 35k EUR (2021: 53k EUR).

Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss. The book value of the financial assets represents the Group's maximum exposure to credit risk.

The Group's credit risk is primarily attributable to its accounts receivables. Please refer to Note 23 for further information.

The Group has no significant concentration of default risk since the exposure is distributed over a large number of customers, including individuals and entities dealing within the fine art market. Nevertheless, the global economic downturn could negatively influence the solvency of the Group's customers, leading to an increase in the average credit period, or, at worst, leading to an increase in customer default. This would negatively affect the Group's earnings, as well as its financial position. The Group tries to counteract such risks by requiring upfront payments from customers whenever possible.

Liquidity and Interest Risk

Liquidity risk arises in the event that the Group could not meet financial obligations on their due date. Therefore, the aim is to provide sufficient liquidity to meet liabilities on time. To this end, the Group is reliant on generating a positive cash flow from operating activities. Liquidity risk is constantly revalued on a daily basis, using a deviation analysis of current and monthly cash equivalents as reported in the liquidity planning, which ensures a quick response to changes in the risk potential. Management expects a positive operating cash flow for the 2023 fiscal year. If revenue does not increase as expected, planned investments and project developments may be rescheduled, or their implementation may be extended.

There are no material interest rate risks in the Artnet Group. The Artnet Group is not exposed to any significant interest rate risk. The remaining term of other current liabilities and accruals is less than one year.

The gross cash flow arising from financial liabilities, including anticipated interest payments, is shown in the following chart:

12/31/2022	Carrying Amount k EUR	Gross Cash Flow k EUR	Gross Cash Flow k EUR	Gross Cash Flow k EUR
		Total	< 1 Year	> 1 Year
Liabilities at Amortized Costs	3,407	3,407	3,407	–
Loan	713	794	536	258
Liabilities from Finance Leases	972	974	974	0

12/31/2021	Carrying Amount k EUR	Gross Cash Flow k EUR	Gross Cash Flow k EUR	Gross Cash Flow k EUR
		Total	< 1 Year	> 1 Year
Liabilities at Amortized Costs	1,672	1,672	1,672	–
Liabilities from Finance Leases	1,860	1,888	1,576	312

Provisions and accrued liabilities are not financial instruments and are therefore not mentioned in the above calculation of liquidity risk under IFRS 7.

Market and Foreign Currency Risks

Market risks are mainly relevant in the form of foreign currency exchange risks for the Group's companies, as most of the revenues are generated in US dollars, but a certain amount of costs must be paid in euros.

The Group controls these currency exchange risks by invoicing its European customers in euros and using these payments to fulfill its obligations in the foreign currency. This helps to reduce the exchange rate risk. Besides the US-dollar-to-euro exchange rate risk, the Group is also exposed to the US-dollar-to-British-pound exchange rate risk, but on a smaller scale. In addition, foreign currency risks exist for the Group from intercompany euro claims coming from financing the parent company of Artnet AG, which is located in a euro currency area, and the operating subsidiary Artnet Corp., which is located in the US-dollar-currency-area, and for euro bank stocks for Artnet Corp.

The carrying amounts of the Group's monetary assets and monetary liabilities, denominated in currencies other than the US dollar at the reporting date, are as follows:

Foreign Currency	Financial Assets	Financial Liabilities		
	12/31/2022 k EUR	12/31/2021 k EUR	12/31/2022 k EUR	12/31/2021 k EUR
EUR	781	606	167	45
GBP	522	365	248	0

Additionally, the intragroup receivables validating in euros from Artnet Corp. against Artnet AG amounted to 1,543k EUR as of December 31, 2022 (2021: 1,735k EUR). This bears a theoretical currency risk for Artnet Corp., which will not be realized. To minimize this currency risk, Artnet Corp. converted existing current intercompany receivables against Artnet AG in the amount of 1,500k EUR into a long-term intercompany loan. A settlement for this loan is neither planned nor likely to occur in the foreseeable future. Therefore, the intercompany loan qualifies as a net investment according to IAS 21.15. Accordingly, exchange differences from the loan denominated in euros will be recognized directly in equity, and will thus be accumulated in a separate component of equity until full or partial disposal of Artnet AG ownership interest in Artnet Corp.

In 2022, currency exchange effects in the amount of (92)k EUR were recognized as a net investment directly in “Foreign Currency Translation,” which decreased equity (2021: (108)k EUR decreasing equity). In total, the amounts recorded directly in equity are 258k EUR as of December 31, 2022 (December 31, 2021: 158k EUR).

The following table details the Group’s sensitivity to a 10% increase and decrease of the US dollar against the euro and the British pound. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the balance sheet date in accordance with a 10% change in foreign currency rates. Included in the chart is also the exchange rate risk, as mentioned above from the intragroup receivables.

A positive number below indicates an increase in profit and other equity.

Against USD	12/31/2022 k EUR	12/31/2021 k EUR	12/31/2022 k EUR	12/31/2021 k EUR
10%				
Result	(60)	(72)	(3)	(15)
Equity	55	61	(19)	(15)
-10%				
Result	73	88	4	18
Equity	(67)	(75)	24	18

The value of the US dollar against the euro increased by 6% from 0.879 EUR on December 31, 2021 to 0.932 EUR on December 31, 2022.

Interest Rate Risk

As of December 31, 2022, and 2021, there are no liabilities with a floating interest rate. Therefore, the Group is not exposed to an interest rate risk.

Number of employees

The Group employed an average of 135 full-time employees in the 2022 financial year, compared to 121 employees in the previous year. In addition, the Group employed six part-time employees in the 2022 financial year, compared to two employees in the previous year. The Group employed eight freelancers in sales and other areas, compared to four freelancers in the previous year.

The freelancers and consultants were included in the personnel expense in 2021 but were excluded in the personnel expense from 2022.

Taking into account part-time employees, Artnet employed a monthly average of 141 and 123, respectively, in 2022 and 2021. The employees are allocated to the following expense categories:

Personnel Expenses by Expense Category	2022	2021
Cost of Sales	58	58
Sales and Marketing	41	41
General and Administrative Expenses	14	14
Product Development	13	13
Total	127	127

Defined Contribution Plans

The subsidiary Artnet Corp. offers a retirement plan to all qualifying employees, which qualifies under the 401(k) section of the Internal Revenue Code of the United States. The assets of this plan are held separately from those of Artnet Corp. and are managed by a trustee. Participating employees may contribute up to 100% of their annual salary, but not more than statutory limits. Artnet Corp. has a discretionary matching contribution each year. In 2022 and 2021, the matching contributions were 211k EUR and 187k EUR, respectively.

35. Auditor’s Fees

Auditor’s fees for the audit of the statutory financial statements of the Company and the consolidated financial statements, amounted to 220k EUR in 2022, of which 69k EUR resulted from the previous year.

36. Relationship with Related Parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Management Board

Jacob Pabst is the CEO of Artnet AG and Artnet Corp. In the 2022 and 2021 fiscal years, Jacob Pabst received the following remuneration from the Group:

	2021 k EUR	2021 k EUR
Fixed Salary	428	381
Value of Additional Payments (Health Insurance)	5	5
Fixed Remuneration Components	433	386
Bonus (Variable Compensation)	43	0
Total	476	386

Supervisory Board

In the 2022 fiscal year, the following people were Supervisory Board members:

- Dr. Pascal Decker, Berlin, Germany, Chairman, re-elected as member at shareholder meeting on August 26, 2022

Chairman of the Supervisory Board of Aktiengesellschaft TOKUGAWA i.L.

- Hans Neuendorf, Berlin, Germany, re-elected as a member at shareholder meeting on August 26, 2022
- Prof Dr Michaela Diener, Berlin, Germany, re-elected as a member at the shareholder meeting on August 26, 2022

Remunerations in the following amounts were paid to the members of the Supervisory Board in the 2022 and 2021 fiscal years:

	2022 k EUR	2021 k EUR
Hans Neuendorf	25	25
Dr. Pascal Decker	50	50
Prof. Dr. Michaela Diener	37.5	37.5
Total	112.5	112.5

The remuneration report outlines the principles used for determining the compensation of the Supervisory Board of Artnet AG. In addition, the report describes the policies and levels of compensation paid to Supervisory Board members.

Other Transactions with Related Parties

During the fiscal year, Galerie Neuendorf AG sold 1 item on the Marketplace platform, Artnet Auctions. In accordance with the terms and conditions at the time of the auctions, no commission was charged for the sales, as the value of the artworks exceeded 15k USD.

For related parties of Mr. Neuendorf and related parties of Mr. Pabst (CEO), work or consulting services at standard market conditions totaling 376k EUR in 2022 and 2021, which were recognized as expenses.

In August 2019, a consulting agreement with Galerie Neuendorf AG was extended until August 31, 2021. In December 2020, this agreement was extended for two years until December 31, 2022. Mr. Neuendorf is the CEO of Galerie Neuendorf, and based on this agreement, Mr. Neuendorf shall provide ongoing strategic advice concerning further development and expansion of the Group. In 2022 and 2021, Mr. Neuendorf invoiced 336k EUR, respectively.

On 21 December 2022, Fine Art Luxembourg granted a loan of 500 TUSD to the borrowers (Albert Neuendorf, Hans Neuendorf, Galerie Neuendorf AG, Neuendorf Ltd.). In addition, there were fees of 5 TUSD and transport costs for a surrendered painting of 2 TUSD. The loan was paid directly into the account of Artnet Worldwide Corporation. The loan bears interest at LIBOR plus 6.5%. Artnet shareholder Hans Neuendorf of Galerie Neuendorf AG has granted a loan of 507 TUSD to the Group.

On 27 July, 2022, artnet was granted a loan from an artnet executive for $275k USD, which was originally mature in December 2022 and bears interest rate at 6%, this loan was extended in February to be matured in January 2024 with interest rate at 10%.

38. Significant Events After the Balance Sheet Date

In January 2023 the Group received the USD 2.3 million payment from the Employee Retention Credit (ERC) in the USA as a non-refundable grant. There were no other significant reportable events after the balance sheet date.

39. Notifications According to the Wertpapierhandelsgesetz (WpHG — German Securities Trading Act)

According to § 33 WpHG, shareholders are required to report when the level of their shareholdings exceed or fall below certain thresholds. The thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75%. The voting right notifications received by the Company during the year under review, are available on Artnet's website at artnet.com/investor-relations/voting-rights-notifications.

Announcement Date	Person or entity subject to the notification obligation: (Complete chain of subsidiaries starting with the top-ranking controlling person or the top-ranking controlling company):	+ = exceeding – = reduction	Threshold %	Date on which threshold was crossed or reached	Voting rights in % (Absolut)	Comments
12/30/21	Rüdiger K. Weng	–	25	12/23/21	25,59%	
01/10/22	Kyra Heiss	–	5	12/29/20	4,38%	

Berlin, May 2, 2023

Jacob Pabst
CEO, Artnet AG

Independent Auditor's Report

This report has been translated from the original German version. The German report is authoritative.

Independent Auditor's Report
To artnet AG, Berlin

Report on the audit of the consolidated financial statements and the Group management report

Audit Opinions

We have audited the consolidated financial statements of artnet AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of artnet AG for the fiscal year from January 1 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the Group management declaration published on the Group's website, to which reference is made in the Group management report in the section "Declaration on corporate governance pursuant to section 289f HGB/section 315d HGB".

We have not audited the content of this declaration in accordance with German legal requirements.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) HGB and give a true and fair view of the financial position of the Group as of December 31, 2022 and of its financial performance for the fiscal year from January 1 to December 31, 2022 in accordance with these requirements.

  January 1 to December 31, 2022, and of the results of its operations for the year then ended.

- the accompanying Group management report for the fiscal year 2022 as a whole provides a suitable view of the Group's
  the situation of the Group. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the above-mentioned components of the group management report not audited in substance.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the propriety of the consolidated financial statements and the Group management report.

Basis for the audit judgments
We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and principles is further described in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with European law and German commercial and professional regulations, and we have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) of the EU-AprVO that we have not performed any prohibited non-audit services according to Article 5 (1) EU-AprVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Particularly important audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2022. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In the following, we present the audit matters that we consider to be of particular significance:

1) Revenue recognition and accrual
2) Capitalization of development costs

Re 1) Revenue Recognition and Accruals
a) The risk to the financial statements
For the fiscal year from January 1 to December 31, 2022, the Group recognized revenues in the amount of USD 26,318 thousand (EUR 25,030 thousand). In addition, payments received of USD 3,429 thousand (EUR 3,195 thousand) are recognized as contract liabilities as of December 31, 2022. In particular, the Group offers contracts for art market-related IT services with different terms for which customers regularly make advance payments (contract liabilities). In addition, the Group generates revenue from the brokerage of contracts for the purchase of artworks and from the publication of advertising on the Group's websites.

The Company's disclosures on revenue recognition and accruals are included in Note 7.11 "Revenue recognition" to the consolidated financial statements and in the sections "Results of operations" and "Sales development" in the economic report of the Group management report.

Revenue is recognized when the performance obligation is satisfied. In the case of service contracts, the Group recognizes revenue on a straight-line basis over the term of the respective contracts by reversing the contract liabilities accordingly. Both standard ERP systems and internally developed applications are used to calculate the reversal amounts.

The risk to the financial statements lies in the inappropriate presentation of revenue recognition and, in particular, the understatement of contract liabilities. In our view, revenue recognition was of particular importance for our audit due to the required deferral, the high number of transactions and the central importance in the context of capital market communication.

b) Audit approach and conclusions
Based on a systems review, we assessed the adequacy of the accounting process for revenue recognition and the controls implemented. In doing so, we assessed, among other things, the appropriateness of the processes and controls in place from the conclusion of the contract, through invoicing, to the recognition and deferral of revenue. Based on this, as part of our audit, we tested on a test basis what we considered to be the key controls with regard to their ongoing effectiveness and assessed the relevant.

We also assessed the relevant IT systems supporting the recognition and accrual of revenue, with the involvement of specialists. In addition, we used data analyses to test the complete and correct transfer of accounting-relevant data between the various IT systems and the mapping in the financial statements. We also traced and assessed individual transactions on a sample basis.

We were able to satisfy ourselves that the systems and processes established for revenue recognition and accrual accounting, as well as the controls in place, are adequate to ensure the proper recognition of revenue. Our audit of the effectiveness of the controls did not result in any reservations regarding the implementation of the controls.

Re 2) Capitalization of development costs
a) The risk to the financial statements
In the consolidated financial statements of artnet AG as of December 31, 2022, intangible assets in the amount of TUSD 6,183 (kEUR 5,761) are recognized. In the fiscal year 2022, development costs in the amount of TUSD 2,064 (TEUR 1,963) were capitalized. These are mainly attributable to the FALCON project.

The Company's disclosures on capitalized development costs are included in Note 7 "Significant accounting policies" and Note 26 "Intangible assets" in the notes to the consolidated financial statements and in the sections "Development of costs and earnings" and "Net assets" in the economic report, in the section "Research and development" and in the sections "Risk report" and "Opportunity report" in the Group management report.

First, artnet AG identifies development projects that generally meet the requirements for capitalization under IAS 38 in conjunction with SIC 32. These projects are divided into the research phase and the development phase based on certain milestones. Subsequently, in particular the personnel expenses for in-house programmers and the expenses for external consultants incurred in the development phase are allocated to the identified projects in order to determine the amount to be capitalized.

From our point of view, capitalized development costs were of particular importance, as the recognition and measurement of this item, which is significant in terms of amount, is based to a large extent on estimates and assumptions made by the legal representative.

b) Audit approach and conclusions
For all development projects considered by the Board of Management to be eligible for capitalization, we have followed up this decision by performing case-by-case testing procedures with regard to the fulfillment of the recognition criteria. Our individual examination procedures were based in particular on discussions with the head and

employees of the development department ("Engineering"). In addition, we assessed the capitalizability with the help of internal presentations on the respective projects, from which the objective and purpose of the development projects as well as the benefit for the Group emerged.

We assessed the accounting process for determining the capitalized costs based on a system audit and the assessment of the implemented controls. We reconciled the capitalized personnel expenses to the personnel accounting and the external costs to the purchase invoices on a case-by-case basis.

We were able to satisfy ourselves that the assumptions and estimates made by the legal representative regarding the fulfillment of the recognition criteria for the capitalized development projects are adequately documented and substantiated. The valuation of the capitalized development projects has been carried out on a comprehensible basis.

Other information

The legal representative or the supervisory board is responsible for the other information. The other information includes:

- the Group's Corporate Governance Statement published on the Group's website, to which reference is made in the section of the Group Management Report entitled "Corporate Governance Statement pursuant to § 289f / § 315d HGB",
- the report of the Supervisory Board,
- the other parts of the published annual report, but not the consolidated financial statements, not the audited content of the management report and our audit opinion thereon, and
- the assurance pursuant to Section 297 (2) sentence 4 HGB on the consolidated financial statements and the assurance pursuant to Section 315 (1) sentence 5 HGB on the group management report.

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representative and the Supervisory Board are responsible for the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the corporate governance statement published on the Group's website and referred to in the section "Corporate governance statement pursuant to Section 289f / Section 315d of the German Commercial Code (HGB)" of the Group management report. Otherwise, the legal representative is responsible for the other information.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information referred to above and, in doing so, assess whether the other information is

- are materially inconsistent with the consolidated financial statements, the content of the audited disclosures in the group management report or our knowledge obtained in the course of the audit, or
- otherwise appear to be materially misrepresented.

If, based on our work, we conclude that there has been a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representative and the supervisory board for the consolidated financial statements and the group management report
The legal representative is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB and for being satisfied that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e., accounting manipulations and misstatements of assets).

In preparing the consolidated financial statements, the legal representative is responsible for assessing the Group's ability to continue as a going concern. Furthermore, he is responsible for disclosing, as applicable, matters related to the Group's ability to continue as a going concern. In addition, the legal representative is responsible for preparing the financial statements on the basis of the going concern principle, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the legal representative is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, the legal representative is responsible for the arrangements and measures (systems) that it has deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report
Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and with our audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with

German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and actions relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by the legal representative and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the view it conveys of the Group's position.
- We perform audit procedures on the forward-looking statements made by the legal representative in the Group management report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions underlying the forward-looking statements made by the legal representative and evaluate the

appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure of the matter.

Other statutory and other legal requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and the Group Management Report Prepared for the Purposes of Disclosure Pursuant to Section 317 (3a) of the German Commercial Code (HGB)

Audit opinion
In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the reproductions of the consolidated financial statements and the Group management report contained in the file: "ArtnetAG-KA-2022-12-31-en.zip" and prepared for disclosure purposes of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") comply with the requirements of Section 328 (1) HGB on electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the aforementioned file. In accordance with those provisions, our audit also does not extend to the voluntary disclosures in the group management report and additional disclosures in the consolidated statement of comprehensive income that are not required by law.
In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from January 1 to December 31, 2022 included in the preceding "Report on the audit of the consolidated financial statements and group management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file. We also do not express an opinion on the voluntary disclosures made in the group management report and additional disclosures not required by law in the consolidated statement of comprehensive income.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

Responsibility of the legal representative and the supervisory board for the ESEF documents

The legal representative of the Company is responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the group management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the award of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the legal representative of the Company is responsible for the internal controls that it deems necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether intentional or unintentional, with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.
- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.
- we assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other information according to Article 10 EU-APrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on August 26, 2022. We were engaged by the Supervisory Board on November 22, 2022. We have served as auditors of the consolidated financial statements of artnet AG, Berlin, without interruption since fiscal year 2002.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU-APrVO (audit report) .

Other matters - use of the audit opinion

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format - including the versions to be entered in the companies register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Mr. Alexander Schucht.

Hamburg, May 12, 2023
Ebner Stolz GmbH & Co. KG

Dirk Schützenmeister, Wirtschaftsprüfer
Alexander Schucht, Wirtschaftsprüfer

Any publication or dissemination of the consolidated financial statements and/or the group management report in a form deviating from the audited version (including the translation into other languages), requires a new statement by us if our report is cited or our audit is referenced; reference is made to § 328 HGB.

Useful Information for Shareholders

Artnet AG Supervisory Board
Dr. Pascal Decker, Chairman
Prof. Dr. Michaela Diener, Deputy Chairwoman
Hans Neuendorf

Management Board
Jacob Pabst, CEO

Artnet Worldwide Corporation
Jacob Pabst, CEO

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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.

Stock Market Information
WKN A1K037
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LEI 391200SHGPEDTRIC0X31

Investor and Shareholder Relations
The Artnet Group places great value on a positive and fruitful exchange with its stakeholders. We look forward to staying in touch with you. Please find all relevant information for investors, the financial statements, and updates at artnet.com/investor-relations.

If you have further queries, please don't hesitate to get in touch:
Sophie Neuendorf, Vice President, Investor Relations
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Newsletter
The Artnet Group sends regular newsletter updates to its shareholders.
Please sign up by emailing **ir@artnet.com** with your name and email address.

Design

Damian Schober, schoberrichter.com

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