

Interim Group Management Report  
First Quarter 2010

## **artnet AG**

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# artnet AG Interim Group Management Report First Quarter 2010

## Business Development

### Overview of the Business Development for the Three Months Ended March 31, 2010

During the three months ended March 31, 2010 the Company's revenue decreased 4% in Euro terms to EUR 3,179,000 (USD 4,400,000) from EUR 3,324,000 (USD 4,343,000) in 2009.

The US Dollar depreciated 6% against the Euro compared to the March 31, 2009 exchange level. The Group's Euro revenue has been negatively impacted because of the lower dollar.

As of this writing, the *artnet Gallery Network* and the *artnet Fine Art and Design Price Database* and the *artnet Decorative Art Price Database* generate approximately seventy-four percent of artnet's revenue. Widely subscribed, and information-based, these products continue to draw support from collectors and art professionals the world over. The database provides reliable, up-to-the-minute price information, while the artnet Gallery Network signals the availability of inventory worldwide, market conditions notwithstanding.

artnet Gallery Network revenues were lower by EUR (169,000), (USD (124,000) or EUR (12%) versus (USD (7%)) due to 138 fewer gallery memberships as compared to the first quarter of 2009. As compared to year end 2009, gallery membership has declined more slowly than in the fourth quarter, leaving us optimistic for the remainder of the year.

*artnet Fine Art and Design Price Database* and *artnet Decorative Art Price Database* revenue declined by EUR (100,000) (USD (46,000)) or EUR (8%) versus (USD (3%)).

*artnet Advertising* has continued to decline, EUR 27% versus (USD 23%). However, new agreements with advertisers such as American Express, Canon, Burberry and the New York Times are in place and should increase revenue in the coming months, as contracts are fulfilled.

Offsetting, artnet Auctions' revenues have increased EUR 161% (USD 178%) for the three months ended March 31, 2010. March saw a record USD 1,587,000 in gross sales before commissions. Significantly, it is this transition to a "buyer's market" that has enabled our specialists to garner consignments at realistic reserves.

artnet believes its artnet Auctions offer irresistible benefits to consignors and buyers alike, and that artnet will soon build significant share-of-market over our brick and mortar competitors.

## Results of Operations, Financial Position and Net Assets

### Earnings

Income from operations declined by EUR 62,000, (USD 72,000) to EUR 126,000 (USD 174,000) from EUR 188,000, (USD 246,000) in the same period, 2009. The Group incurred additional expenses for product development related to enhancements of existing products. Additionally, the Group engaged Simon Kucher & Partners to perform a global review of pricing of all its products and services. The Group has also continued its brand strategy implementation which has resulted in higher consulting costs than in the prior year. Depreciation increased EUR 43,000 (USD 71,000), which is attributable to the launch of the *artnet Decorative Art Price Database* product, as well as equipment that was purchased during 2009 to support network infrastructure. Net income decreased by EUR 32,000 (USD 36,000) to EUR 77,000 (USD 107,000) in 2010 from EUR 109,000 (USD 143,000) in 2009. Diluted earnings per share were EUR 0.01, (USD 0.02) compared to EUR 0.02 (USD 0.03) in the same period in 2009.

### Currency conversion

The consolidated financial statements on a Euro-basis were affected by the lower value of the US Dollar for the first quarter ended March 31, 2010 compared to the same period in 2009.

Currency conversion in the consolidated statement of comprehensive income is based on the average exchange rate for the period ending March 31, 2010 and 2009, respectively. For the first quarter ended 2010, the average rate was 0.722 Euros/Dollar compared to 0.765 Euros/Dollar for the first quarter ended 2009. This represents a 6 % decrease in the average currency rate. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of March 31, 2010, the rate was 0.743 Euros/Dollar compared to 0.698 on December 31, 2009, thus representing a 6 % increase.

artnet is subject to exchange rate fluctuations because it invoices in Euros, US Dollars and British Pounds, but conducts most of its business in the United States. The Group works to reduce its exposure to exchange rate differences by billing European customers in Euros and British customers in British Pounds and paying vendors in the same currency with these cash funds.

### Financial position

Group operating cash flow was EUR 236,000 as of March 31, 2010 as compared to EUR (18,000) as of March 31, 2009. Deferred revenue increased during the first quarter of 2010 leading to an increase in the operating cash flow for the Group as compared to first quarter 2009. In addition, the first quarter of 2009 was negatively affected by payments towards vendors.

Group investing cash flow was EUR (72,000) as of March 31, 2010 as compared to EUR (164,000) as of March 31, 2009. The prior year's investing cash flow was to a greater extent affected by investments in new products.

The Group invested in the *artnet Decorative Art Price Database* product during the first quarter of 2009 and has continued to invest in artnet Market Data Product which is planned to launch in 2010. Additionally, hardware and software related to the network infrastructure were purchased during 2009. The cash flow for financing activities was EUR (25,000) as of March 31, 2010 and EUR (9,000) as of March 31, 2009. The amounts represent payments towards finance leases which were entered into during 2008 and 2009. In total, the cash balance increased from EUR 2,191,000 (USD 3,140,000) on December 31, 2009 to EUR 2,447,000 (USD 3,292,000) on March 31, 2010. The cash investment policy for the Group is conservative and based on short term investments. This policy allows all cash to be liquid and available. Based on the average outstanding shares of 5,552,986, liquidity per share was EUR 0.44 (USD 0.59) on March 31, 2010 compared to EUR 0.39 (USD 0.57) on December 31, 2009.

#### Asset position

The balance sheet total was EUR 7,060,000, (USD 9,499,000) on March 31, 2010 compared to EUR 6,574,000 (USD 9,422,000) on December 31, 2009, representing an increase of 7% (USD 1 %).

The consolidated financial statements, which were translated to Euros as of March 31, 2010, are impacted by the increase in the value of the US dollar to the Euro compared to December 31, 2009.

Trade accounts receivable increased EUR 75,000, (USD 18,000) to EUR 1,016,000, (USD 1,367,000) primarily due to increased US Dollar revenues. Fixed assets decreased by EUR 6,000, (USD 171,000) to EUR 1,839,000 (USD 2,474,000). The decrease is the result of continuing depreciation and amortization from prior periods offset by software purchases for the network infrastructure.

Total current liabilities increased by EUR 170,000, (USD (16,000)) from EUR 2,787,000, (USD 3,994,000) to EUR 2,957,000, (USD 3,978,000). The primary increase was in deferred revenue and relates to sales contracts sold in the first quarter for which revenue will be earned in future periods. artnet Group's consolidated equity was EUR 3,998,000, (USD 5,379,000) on March 31, 2010 compared to EUR 3,665,000, (USD 5,253,000) on December 31, 2009.

artnet's *Price Database* is an intangible asset that has been developed by gathering auction information over the last twenty years. This valuable asset to the Group has not been attributed full earnings recognition on the balance sheet due to accounting rules. Balance sheet assets would be substantially increased if this recognition were allowed by law.

#### Employees

At March 31, 2010 there were 102 full time employees as compared with 102 in the first quarter of 2009. Additionally, the Group employed 14 part-time employees as of March 31, 2010 as compared to 20 in the previous year's quarter, and 13 sales and other consultants as compared to 18, as of March 31, 2009.

## General informationen and business activities

artnet AG is a holding company listed on the 'Regulierter Markt' in the Prime Standard segment at the Frankfurt Stock Exchange. artnet AG's principal holding is its wholly-owned subsidiary, Artnet Worldwide Corp., a New York corporation founded in 1989. artnet AG ("artnet" or "the Company") and Artnet Worldwide Corp. ("Artnet Corp.", collectively, "the artnet Group or Group") operate under the trade name "artnet".

Artnet Corp. has two wholly-owned subsidiaries. artnet UK Ltd. provides sales and client support in the United Kingdom. artnet France SARL publishes a magazine in French (artnet.fr) in addition to sales and customer service.

With 2.2 million monthly unique visitors, artnet.com offers the world's largest market overview, enabling collectors and art professionals to better navigate the art market by providing timely information about the value of artworks, artists, their galleries, price development, exhibitions, news and reviews.

The *artnet Gallery Network* is comprised of over 2,100 of the world's most prestigious art galleries and auction houses on four continents. Members of the network are indexed by specialty and location, and represent an aggregate 171,000 works in inventory from 38,000 artists. *artnet Gallery Network* also offers design and decorative art objects from the 1<sup>st</sup> Century BC to present.

The *artnet Price Database* is an updated archive of over 4.2 million illustrated auction records from over 500 of the world's top auction houses, bringing price transparency to a hitherto secretive market. Database subscribers obtain up-to-the-minute, fair appraisals of works they want to buy or sell by comparing them to works sold at auction since 1985. artnet's *Price Database* is widely subscribed by appraisers, dealers, auctioneers, financiers, and private and government institutions (including the IRS and FBI). Most importantly, it provides an illustrated 'blue book' for private collectors with which to appraise the works they own, and measure opportunities at auction or in the dealer market. Dealers and auctioneers also use *artnet Comps* (comparable sales from artnet's *Price Database*) to support the sale of important works of art. Of particular significance is the fact that, in an exclusive partnership with Sotheby's, *artnet Comps* are posted on Sothebys.com for sales throughout the United States and Europe.

In the first quarter 2009, artnet launched the *artnet Decorative Art Price Database* which is comprised of furniture, porcelain, silver, glass, time-pieces and other types of applied art.

A derivative of the *Price Database* is the *artnet Market Alert* which informs subscribers by e-mail when artworks by their favorite artists come up at auction, or when they are offered by any of the *artnet Gallery Network* members.

In the spring of 2008, artnet launched *artnet Auctions*. In this signal initiative, experienced specialists are commissioned to marshal the voluminous information in the database to establish reserves and estimates for artworks sourced primarily from gallery members. These works are then auctioned on a new platform, [artnet.com/auctions](http://artnet.com/auctions).

The *artnet Artists Works Catalogues* have been compiled and published showcasing the complete works of specific artists. They are available for viewing online on the artnet website.

#### Subsequent Events

No reportable events of significant importance have occurred after the balance sheet date.

#### Risks of the future development

artnet holds the view that the risk structure has not changed since December 31, 2009.

#### Outlook

As of this writing, the U.S. market, which drives nearly 60% of artnet revenues, is experiencing what economists describe as a tepid, jobless recovery.

Certainly, the last three quarters' recovery in the financial sector has fueled sales at the top end of the market, and, in fact, very early indications are that sales at auction houses and art fairs are marginally ahead of same period a year ago. Offsetting, lackluster housing starts and re-sales continue to dampen the market for design and decorative objects via galleries, architects and decorators.

And, despite significant declines in advertising revenues in the first Quarter 2010, we anticipate advertising revenues will stabilize during the year as we now have a much stronger initiative where national advertising is concerned (2010 to see significant campaigns from American Express, New York Times Company, Canon, and from luxury brands like Burberry). Certainly, our print competitors (art publications and newspapers) for advertising have seen calamitous declines, owing, at least in part, to the over-all transition to digital media. We believe we can make opportunistic sales as magazines and newspapers reduce frequency, or, otherwise, face closure.

We would stress, however, that our *artnet Auctions* product offers the most significant short and long-term growth opportunity as we continue to push for higher value lots, both from dealers and private collectors. At the same time we are reaching an expanding pool of buyers with targeted marketing initiatives. The goal is to double online auction sales and commissions in 2010, with an eye to improving margins (in line with this, we have increased the buyer's premium from 10% to 15% effective March 1, 2010). Results for the three months ended March 31, 2010 support we are well ahead of projections.

Cost cutting initiatives started in the last quarter of 2009 and will remain in place throughout 2010. Additionally, the Group has underwritten a global review of pricing for all of its products and services, and has engaged Simon Kucher & Partners, a leading firm specialized in that area. It is our expectation that, on completion of this initiative, our pricing structures will be more in line with customer usage patterns and will enable the Group to efficiently raise prices and increase margins over-all.

Berlin, April 30, 2010



Hans Neuendorf  
Hans Neuendorf

## artnet AG Consolidated Statement of Financial Position As of March 31, 2010 and December 31, 2009

	03/31/2010	12/31/2009	03/31/2010	12/31/2009
	USD	USD	EUR	EUR
<b>Current assets</b>				
Cash and cash equivalents	3,292,339	3,140,219	2,447,196	2,190,931
Accounts receivable-net	1,367,392	1,348,631	1,016,382	940,940
Prepays and other current assets	680,640	601,536	505,920	419,692
<b>Total current assets</b>	<b>5,340,371</b>	<b>5,090,386</b>	<b>3,969,498</b>	<b>3,551,563</b>
<b>Noncurrent assets</b>				
Property and Equipment	1,072,120	1,208,490	796,907	843,163
Intangible assets	1,401,445	1,436,413	1,041,694	1,002,185
Security deposit	295,942	298,400	219,974	208,194
Deferred tax asset	1,388,665	1,388,665	1,032,195	968,872
<b>Total noncurrent assets</b>	<b>4,158,172</b>	<b>4,331,968</b>	<b>3,090,770</b>	<b>3,022,414</b>
<b>Total assets</b>	<b>9,498,543</b>	<b>9,422,354</b>	<b>7,060,268</b>	<b>6,573,977</b>
<b>Liabilities and Shareholders' equity</b>				
<b>Current liabilities</b>				
Accounts payable	264,230	295,060	196,402	205,863
Accrued expenses and other liabilities	1,351,695	1,474,062	1,004,715	1,028,451
Current income tax liabilities	384,264	409,380	285,623	285,626
Finance Lease obligation	137,411	137,411	102,138	95,872
Deferred revenue	1,840,525	1,678,269	1,368,063	1,170,929
<b>Total Current Liabilities</b>	<b>3,978,125</b>	<b>3,994,182</b>	<b>2,956,941</b>	<b>2,786,741</b>
<b>Long term liabilities</b>				
Long term portion of Finance lease	141,079	175,432	104,864	122,399
<b>Total Liabilities</b>	<b>4,119,204</b>	<b>4,169,614</b>	<b>3,061,805</b>	<b>2,909,140</b>
<b>Shareholder's Equity</b>				
Common stock	5,941,512	5,941,512	5,631,067	5,631,067
Treasury stock	(269,241)	(269,241)	(264,425)	(264,425)
Additional paid-in capital	51,698,509	51,695,464	50,457,705	50,455,505
Accumulated deficit	(52,030,497)	(51,380,953)	(51,667,124)	(51,199,973)
Current net profit	107,030	(649,544)	77,318	(467,151)
Foreign currency translation	(67,974)	(84,498)	(236,078)	(490,186)
<b>Total Shareholder's Equity</b>	<b>5,379,339</b>	<b>5,252,740</b>	<b>3,998,463</b>	<b>3,664,837</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>9,498,543</b>	<b>9,422,354</b>	<b>7,060,268</b>	<b>6,573,977</b>

## artnet AG Consolidated Statement of Comprehensive Income For the Three Months Ended March 31, 2010 and 2009

	01/01/ 03/31/2010	01/01/ 03/31/2009	01/01/ 03/31/2010	01/01/ 03/31/2009
	USD	USD	EUR	EUR
<b>Revenue</b>				
artnet Gallery Network	1,720,501	1,844,801	1,242,890	1,412,011
artnet Price Database	1,516,138	1,562,253	1,095,258	1,195,749
artnet Advertising	476,012	616,413	343,871	471,802
artnet Auctions	572,111	205,959	413,293	157,641
Other Products	115,173	113,776	83,201	87,084
<b>Total revenue</b>	<b>4,399,935</b>	<b>4,343,202</b>	<b>3,178,513</b>	<b>3,324,287</b>
Cost of Sales	1,576,283	1,602,852	1,138,707	1,226,823
<b>Gross profit</b>	<b>2,823,652</b>	<b>2,740,350</b>	<b>2,039,806</b>	<b>2,097,464</b>
<b>Other operating expenses</b>				
Selling and Marketing	1,083,411	1,055,466	782,656	807,854
General and Administrative	965,814	877,852	697,704	671,908
Product development	597,305	548,019	431,493	419,454
Non-cash compensation	3,045	12,996	2,200	9,947
<b>Total other operating expenses</b>	<b>2,649,575</b>	<b>2,494,333</b>	<b>1,914,053</b>	<b>1,909,163</b>
<b>Profit from operations</b>	<b>174,077</b>	<b>246,017</b>	<b>125,753</b>	<b>188,301</b>
Interest expense	(3,346)	0	(2,417)	0
Interest income	10,924	9,258	7,892	7,086
Other income/(expense)	(58,373)	(91,573)	(42,169)	(70,090)
<b>Profit prior to tax provision</b>	<b>123,282</b>	<b>163,702</b>	<b>89,059</b>	<b>125,297</b>
Income taxes	(16,252)	(21,000)	(11,741)	(16,073)
<b>Net profit</b>	<b>107,030</b>	<b>142,702</b>	<b>77,318</b>	<b>109,224</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	16,524	(10,298)	254,108	272,660
<b>Total comprehensive income</b>	<b>123,554</b>	<b>132,404</b>	<b>331,426</b>	<b>381,884</b>
<b>Earnings per share</b>				
Net Profit per basic share	0.02	0.03	0.01	0.02
Net Profit per diluted share	0.02	0.03	0.01	0.02
<b>Weighted average shares</b>				
Basic	5,552,986	5,552,986	5,552,986	5,552,986
Diluted	5,552,986	5,663,986	5,552,986	5,663,986

## artnet AG Consolidated Statements of Changes in Shareholders' Equity (USD) For the Three Months Ended March 31, 2010 and 2009

Common Stock							
	Shares Issued	Amount	Additional Paid-in- Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
Balance December 31, 2008	5,631,067	5,941,512	51,675,796	(269,241)	(51,380,953)	(47,979)	5,919,135
Total comprehensive income					142,702	(10,298)	132,404
Non-cash compensation			12,996				12,996
Balance March 31, 2009	5,631,067	5,941,512	51,688,792	(269,241)	(51,238,251)	(58,277)	6,064,535
Balance December 31, 2009	5,631,067	5,941,512	51,695,464	(269,241)	(52,030,497)	(84,498)	5,252,740
Total comprehensive income					107,030	16,524	123,554
Non-cash compensation			3,045				3,045
Balance March 31, 2010	5,631,067	5,941,512	51,698,509	(269,241)	(51,923,467)	(67,974)	5,379,339

## artnet AG Consolidated Statements of Changes in Shareholders' Equity (EUR) For the Three Months Ended March 31, 2010 and 2009

Common Stock							
	Shares Issued	Amount	Additional Paid-in- Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
Balance December 31, 2008	5,631,067	5,631,067	50,441,360	(264,425)	(51,199,973)	(408,402)	4,199,627
Total comprehensive income					109,224	272,660	381,884
Non-cash compensation			9,947				9,947
Balance March 31, 2009	5,631,067	5,631,067	50,451,307	(264,425)	(51,090,749)	(135,742)	4,591,458
Balance December 31, 2009	5,631,067	5,631,067	50,455,505	(264,425)	(51,667,124)	(490,186)	3,664,837
Total comprehensive income					77,318	254,108	331,426
Non-cash compensation			2,200				2,200
Balance March 31, 2010	5,631,067	5,631,067	50,457,705	(264,425)	(51,589,806)	(236,078)	3,998,463

## artnet AG Consolidated Statement of Cash Flows For the Three Months Ended March 31, 2010 and 2009

	01/01/ 03/31/2010	01/01/ 03/31/2009	01/01/ 03/31/2010	01/01/ 03/31/2009
	USD	USD	EUR	EUR
<b>Cash flows from operating activities</b>				
Net profit	107,030	142,702	77,318	109,224
<b>Adjustments to reconcile net profit to net cash provided by (used in) operating activities:</b>				
Depreciation and amortization	270,347	199,266	195,298	152,518
Provision for doubtful accounts	25,103	32,748	18,134	25,065
Non-cash compensation	3,045	12,996	2,200	9,947
Other non cash transactions	63,868	14,034	19,692	3,714
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(43,864)	58,867	(31,687)	45,057
Prepaid and other current assets	(79,104)	(35,681)	(57,145)	(27,310)
Security deposits	2,458	(10,811)	1,776	(8,275)
Accounts payable	(30,830)	(420,867)	(22,272)	(322,132)
Accrued expenses and tax liabilities	(147,483)	(10,990)	(88,400)	13,511
Deferred Revenue	162,256	(26,016)	120,604	(19,697)
<b>Total adjustments</b>	<b>225,796</b>	<b>(186,454)</b>	<b>158,200</b>	<b>(127,602)</b>
<b>Net cash used in (provided by) operating activities</b>	<b>332,826</b>	<b>(43,752)</b>	<b>235,518</b>	<b>(18,378)</b>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(10,564)	(39,506)	(7,631)	(30,238)
Purchase and development of intangible assets	(88,445)	(174,981)	(63,893)	(133,930)
<b>Net cash used in investing activities</b>	<b>(99,009)</b>	<b>(214,487)</b>	<b>(71,524)</b>	<b>(164,168)</b>
<b>Cash flows from financing activities</b>				
Repayment of financial lease	(34,353)	(12,082)	(24,817)	(9,248)
<b>Net cash used in financing activities</b>	<b>(34,353)</b>	<b>(12,082)</b>	<b>(24,817)</b>	<b>(9,248)</b>
Effects of exchange rate changes on cash	(47,344)	(24,332)	117,088	164,965
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>152,120</b>	<b>(294,653)</b>	<b>256,265</b>	<b>(26,829)</b>
Cash – Beginning	3,140,219	4,122,960	2,190,931	2,925,240
<b>Cash – Ending</b>	<b>3,292,339</b>	<b>3,828,307</b>	<b>2,447,196</b>	<b>2,898,411</b>

## Notes to the Interim Consolidated Financial Statements For the Three Months Ended March 31, 2010

### Corporate Information

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. artnet AG was incorporated under the laws of Germany in 1998.

artnet AG holds 100 % of the shares in Artnet Worldwide Corporation ("Artnet Corp."), which is located in New York, USA, Artnet Corp. holds 100 % of the shares in artnet UK Ltd. and artnet France SARL. artnet AG and Artnet Corp. together with Artnet Corp.'s wholly owned subsidiaries are referred to as "the Group" or "the artnet Group".

The Group's business is to provide art collectors, galleries, publishers, auction houses and art enthusiasts a website where individuals can research artists, view art related news and find artworks that are currently available at art galleries around the world. Additionally, the Group launched *artnet Auctions* in 2008 which is a web based trading platform for modern and contemporary fine art, prints and photographs by renowned artists.

The consolidated financial statements were authorized for issuance by the CEO on April 30, 2010.

### Basis of Presentation

These unaudited interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) for interim financial information effective within the EU. In particular, they correspond to the "Interim Financial Reporting" guidelines of IAS 34. They also comply with the German accounting Standard (DRS) No.16 on interim reporting as well as with §§ 37x, 37w of the Securities Trading Act. These financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The following new or revised standards and interpretations became mandatory in fiscal 2010:

#### Standards (IFRS) or Interpretations (IFRIC)

IFRS 3,	Business Combinations (7/1/2009) and
IAS 27	Consolidated and Separate Financial Statements (7/1/2009)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items (7/1/2009)
IFRS 1	First-time Adoption of IFRS (1/1/2010)
IFRIC 12	Service Concession Arrangements (3/30/2009)
IFRIC 15	Agreements for the Construction of Real Estate (1/1/2010)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (7/1/2009)
IFRIC 17	Distribution of Non-Cash assets to Owners (7/1/2009)
IFRIC 18	Transfers of Assets from Customers (7/1/2009)

The Group does not anticipate that the application of these standards will have a significant impact on the presentation of the consolidated financial statements in 2010. The same accounting and valuation methods have been applied to this interim report as to the most recent annual financial statements. A detailed description of the accounting policies is published in the notes to the annual consolidated financial statements 2009.

The Management of the Company is convinced that the consolidated interim financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for the interim period. Results of the periods ended March 31, 2010 are not necessarily indicative for future results.

The interim financial statements as of March 31, 2010 and the interim management report have not been audited in accordance with § 317 of the German Commercial Code or reviewed by an auditor.

The consolidated financial statements have been prepared on a historical cost basis. The balance sheet date is March 31, 2010.

#### Reporting Period

The consolidated financial statements were prepared for the reporting period January 1 through March 31, 2010. The financial year for all Group companies coincides with the calendar year.

#### Foreign Currency Translation and Transactions

Amounts mentioned in the interim consolidated financial statements and notes to the interim consolidated financial statements are stated in Euro (EUR), unless otherwise noted. The reporting currency is Euro.

The currency of the primary economic environment in which the artnet Group operates is US Dollar, which is the functional currency of the operating subsidiary Artnet Corp. Transactions in currencies other than US Dollar 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 re-translated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recognized as other income/expense.

On consolidation, the assets and liabilities of the Group's operations are 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 equity.

Currency exchange rates significant to the artnet Group are the translation of US Dollar to Euro and of US Dollar to British Pound (GBP). The following exchanges rates have been used for the currency translation in the years presented:

	USD to EUR		USD to GBP	
	03/31/2010	03/31/2009	03/31/2010	03/31/2009
Current rate year end	.743	.757	.664	.704
Average rate for the year	.722	.765	.641	.696

#### 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 the subsidiaries of this company.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On February 23, 1999 artnet 6 entered into a transaction with Artnet Corp. which was treated as a recapitalization of Artnet Corp., with Artnet Corp. as the acquirer of artnet AG (reverse acquisition). The Company accounted for the business combination of artnet AG and Artnet Corp. as a reverse acquisition in accordance with IFRS 3.

On November 1, 2007, Artnet Corp. established artnet UK Ltd. which is a wholly owned subsidiary and acts as a sales agent for Artnet Corp. in the United Kingdom.

On July 3<sup>rd</sup>, 2008, Artnet Corp. established artnet France SARL, which is a wholly owned subsidiary of Artnet Corp. Artnet France SARL acts as a sales agent for Artnet Corp. in France.

All significant inter-company transactions, balances, income and expenses are eliminated.

## Share Capital

### Conditional Capital-Share Based Payments

The Extraordinary Shareholders' Meeting on February 23, 1999 (confirmed on April 6, 1999) conditionally increased the capital stock by EUR 435,000. No shares have been issued from this conditional capital. The Shareholders' Meeting on July 15, 2009 has cancelled this conditional capital.

The Shareholders' Meeting on July 15, 2009 conditionally increased the capital stock by EUR 560,000 through the issue of up to 560,000 new no-par value bearer shares which can be issued as stock options to members of the Company's Board of Directors and members of the management of affiliated entities as well as to employees of artnet AG or its affiliated entities (Conditional Capital 2009/I). Conditional capital serves to grant stock options under a stock option plan.

The entry of the amendments of the articles of incorporation in the Company's commercial register, as required for the effectiveness of these resolutions by the Shareholders' Meeting, took place on February 2, 2010.

### Authorized Capital

The Shareholders' Meeting of artnet AG on July 15, 2009 authorized the Board of Directors, with the approval of the Supervisory Board, to increase the capital stock by up to EUR 2,800,000 before July 14, 2014 through the issue of 2,800,000 new no-par value bearer shares in exchange for cash contributions or contributions in kind (Authorized Capital 2009/I). In 2010 and 2009 no common shares were issued under the Authorized Capital 2009/I.

The entry of the amendments of the articles of incorporation in the Company's commercial register, as required for the effectiveness of these resolutions by the Shareholders' Meeting, took place on February 2, 2010.

### Treasury shares

As of March 31, 2010 and 2009 artnet AG held 78,081 of its own shares, representing 1.4 % of common stock.

### Income Taxes

Income tax expense is recognized in the interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Due

to its tax loss carryforward, Artnet Corp. only has to pay the alternative minimum corporation tax.

The Group reviews the carrying amount of its deferred tax asset once per year and will be reviewing the deferred tax asset in the fourth quarter of 2010 based on the most recent budget for the fiscal years 2011–2013.

### Segment Reporting

The Groups reportable segments are as follows:

- The *artnet Gallery Network* segment provides services to galleries by posting the galleries available works of art online.
- The Database segment includes the *artnet Fine Art and Design Price Database* and the *artnet Decorative Art Price Database* sales including the *Imageless Search* as well as sales generated from the *artnet Market Alert* product, the *artnet Market Data Reports* and the *artnet Artist Works Catalogues*.
- The *artnet Advertising* segment produces banner and national advertising on the website.
- The *artnet Auctions* segment provides an online platform to buy and sell artworks.

The French, German and United States magazines are primarily a marketing tool supporting the Groups business activities in general. Therefore, revenues and expenses related to the magazines are allocated to the Groups reportable segments. Expenses are presented in the 'Selling and Marketing' line.

Segment performance is evaluated based on profit or loss before taxes. Not directly attributable expenses are allocated to the reportable segments primarily based on the headcount for each reportable segment.

A measure of total assets or liabilities for each reportable segment is not provided to the management. Therefore, total assets or liabilities are not disclosed for each reportable segment.

Period Ended March 31, 2010	artnet Gallery Network	artnet Price Database	artnet Advertising	artnet Auctions	Total
Revenue EUR	1,242,890	1,178,459	343,871	413,293	3,178,513
Profit/(Loss) Before Tax EUR	53,464	286,686	23,828	(274,919)	89,059

  

Period Ended March 31, 2010	artnet Gallery Network	artnet Price Database	artnet Advertising	artnet Auctions	Total
Revenue EUR	1,412,011	1,282,833	471,802	157,641	3,324,287
Profit/(Loss) Before Tax EUR	146,894	115,506	123,296	(260,399)	125,297

### Earnings per share

Basic earnings per share are calculated by dividing net income by the weighted-average number of common shares outstanding during the year.

Diluted earnings per share are calculated in the same manner as basic earnings per share with the exception that the average number of shares outstanding increases by adding the potential number of shares from stock option conversions.

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

	Period ended 03/31/2010	Period ended 03/31/2009
	EUR	EUR
<b>Numerator (Earnings):</b>		
Net profit for the three months retained for equity shareholders	77,318	109,224
<b>Denominator (Number of shares):</b>		
Weighted average number of ordinary shares used to calculate basic earnings per share (issued and fully paid ordinary shares)	5,552,986	5,552,986
Effect of potential shares: Stock options	0	111,000
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,552,986	5,663,986

### Employees

At March 31, 2010 there were 102 full time employees as compared with 102 in the first quarter of 2009. Additionally, the Group employed 14 part-time employees as of March 31, 2010 as compared to 20 in the previous year's quarter and 13 sales and other consultants as compared to 18 as of March 31, 2009.

### Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS necessitates estimates and assumptions that influence assets and liabilities, income and expenses as well as information in the notes to the financial statements. Actual results and developments may differ from those estimates and assumptions.

Estimates made by management that have a significant effect on the interim consolidated financial statements include the recognition of deferred tax assets and of development costs, the measurement of provisions and accruals, the useful lives of non-current assets and the assessment of bad debt provisions on accounts receivables.

### Notifications in Accordance with § 21 of the Securities Trading Act

Mr. Oliver Schmidt, Düsseldorf, has informed us within the meaning of Section 26 (1) of the WpHG on March 8, 2010, that his voting rights in our company has exceeded the notification threshold of 3% on March 8, 2010, and that on this date he held 3.02% (170,000 voting rights) of the total voting rights.

Pursuant to § 15a of the German Securities Trading Act, artnet was notified on April 7, 2010 that Hannes von Goesseln, a Supervisory Board member, purchased 1,150 shares at an average price of EUR 4.8325 on April 6, 2010.

Pursuant to § 15a of the German Securities Trading Act, artnet was notified on April 7, 2010 that Hannes von Goesseln, a Supervisory Board member, purchased 1,070 shares at an average price of EUR 4.813 on April 1, 2010.

### Report on Post-Balance Sheet Events

No reportable events of significant importance have occurred after the balance sheet date.

Berlin, April 30, 2010



The CEO  
Hans Neuendorf

**artnet AG**

Supervisory Board

John Hushon

*Chairman*

Dr. Christian Dohm

*Deputy Chairman*

Hannes von Goesseln

Board of Management

Hans Neuendorf

*Chief Executive Officer***Artnet Worldwide Corp.**

Board of Directors

Hans Neuendorf

*Chief Executive Officer*

B. William Fine

*President*

Management

B. William Fine

*President*

Walter Robinson

*Editor in Chief, artnet magazine***artnet France SARL**

Hans Neuendorf

*Managing Director*

Management

Gina Kehayoff

*Directrice Générale***artnet® Offices**

artnet AG

Oranienstrasse 164

10969 Berlin

Germany

ph + 49-30-2091780

fx + 49-30-20917829

Artnet Worldwide Corp.

61 Broadway, 23<sup>rd</sup> Floor

New York, NY 10006

USA

ph + 1-212-4979700

fx + 1-212-4979707

artnet France SARL

5, rue du Chevalier de Saint George

75008 Paris

France

ph + 33-1-42866710

fx + 33-1-42861016

**Investor Relations**

You can find information for investors and the annual financial statements at [www.artnet.de/IR](http://www.artnet.de/IR).

If you have further queries, please send an e-mail to [ir@artnet.com](mailto:ir@artnet.com) or send your inquiry by mail to one of our offices.

**Information on artnet stock**

The common stock of artnet AG is traded on the Prime Standard of the Frankfurt Stock Exchange under the symbol AYD.

You can find ad-hoc disclosures on relevant company developments at <http://www.artnet.com/about/pressreleases.asp?A=14>

**German Securities Code Number**

WKN 690950

ISIN DE0006909500



