

**artnet**<sup>®</sup> AG

Annual Report 2009

artnet.fr



La voix du marché de l'art

Michel Comte, *Carla Bruni*, 1993  
Courtesy of the Artist and Guy Hepner.  
Postcard image for artnet.fr,  
*La voix du marché de l'art*

**artnet**<sup>®</sup> AG

Annual Report 2009

## Contents

3	Letter to Shareholders
4	Financial Key Figures 2009 (overview)
5	Core Statement
6	Company Development
8	Brand Strategy
10	artnet Products: The Art Market on One Platform
26	Highlights
37	Company Background
38	Report of the Supervisory Board
41	Corporate Governance Report
48	Responsibility Statement
49	artnet Group Management Report 2009
61	Financial Statements, as of December 31, 2009, and 2008:
	artnet AG Consolidated Statement of Financial Position
	artnet AG Consolidated Statement of Comprehensive Income
	artnet AG Consolidated Statement of Changes
	in Shareholder's Equity (USD and EUR)
	artnet AG Consolidated Statement of Cash Flows
65	Notes to the Financial Statements 2009
88	Translation of Independent Auditor's Report
90	Management
94	artnet Authorities, artnet Offices, Investor Relations, artnet Stock

## Letter to Shareholders

Dear Shareholders,

The worst is over I am tempted to say of the recent crisis. And so it seems for artnet. Sales of gallery web sites are up, advertising is up and the online auctions are doing well.

Not that 2009 was an easy year! We lost over 500 galleries, almost a quarter of the artnet gallery market, as a result of the financial crisis but we won over 400 new galleries, which accounts for a net loss of some 120 galleries. Most of our revenue decline, however, was not in our core information services where clients really stayed put, but in advertising, which experienced a precipitous decline in all media and all companies, not sparing artnet.

All in all artnet suffered a revenue decline of only 1% in EUR terms (6 % in USD terms). And we are now on our way to make up for lost ground.

All the while artnet auctions revenue grew by 220 % to EUR 815,000 in its second year. Prejudices against online auctions still abound. It is said that online auctions for art are vulnerable to forgery and problems with condition reports. But with over 2,000 transactions so far we have not had a single incident!

This confirms that online auctions for art are here to stay and will go on to take a big share of the market. Given our experience so far I do not see how conventional auctions will have a claim to the future when online auctions are half as expensive and five times as fast.

artnet has prepared the ground for the online auction service by creating price transparency for the art market with its price databases and by creating the only global market overview with its gallery market and its market alert service. We are preparing to introduce our new market analysis tools which will provide our customers with artist indices and market segment indices.

It is our conviction that more and better information creates trust, which is the foundation on which we want to build our online auction business. artnet is leading in art market information services and we intend to be leading in transaction services as well.

Berlin, March 2010



Hans Neuendorf  
CEO, artnet AG

## Financial Key Figures artnet Group (EUR)

(in Thousands)	12/31/2009	12/31/2008	Change
Revenue	12.219	12.303	-1%
Profit from operations	-330	147	-324%
Earnings before income taxes	-506	-75	575%
Net profit	-467	-490	-5%
Earnings per share (diluted) EUR	-0,08	0,09	-11%
Number of shares (diluted)	5.553	5.687	-2%
Cash flow from operating activities	-180	437	-141%
Staff (year end)	99	104	-5%
Cash and cash equivalents	2.191	2.925	-25%
Equity	3.665	4.200	-13%
<b>Total Assets</b>	<b>6.574</b>	<b>7.631</b>	<b>-14%</b>

## Shares artnet AG (EUR)



## Core Statement

artnet products all have a common goal. They provide speed and transparency for a globalized art market. artnet offers its clients objective price information, a global market overview, and faster transactions at lower costs. This enables buyers and sellers to make decisions in accordance with their own needs and become independent of the interests of third parties. A pure information service-provider is thereby increasingly turning into an integrated transaction platform. artnet transforms the client's informational advantage into time and expenses saved and strengthens participants' trust in the market.

## Company Development

The artnet AG was founded in 1998 as a service provider for the professional art world. It took over the Artnet Worldwide Corp. in New York, which was launched in 1989. In a constantly growing market, the timeliness of the vision of the first days remains unchanged. The art market depends on trust and transparency for success. With its products, artnet offers reliable information and understandable trading conditions for dealers, collectors, gallery operators, museums, and companies. The artnet services have developed into an indispensable tool for the independence of market participants—and have thereby modernized the trade in art.

The core of our business is still the *artnet Gallery Network* introduced in 1995. Comprising more than 2,200 galleries, more than 171,000 works of art, and almost 38,000 artists, it is the largest of its kind in the world. The network serves dealers and art buyers equally: it gives them an overview of market and price trends and facilitates immediate, reasonably priced, global contact. This platform is supplemented by the *artnet Fine Art and Design Price Database*, the industry's standard for illustrated auction lists, which has been further supplemented since 2009 by the *artnet Decorative Art Price Database*. Along with *artnet Auctions*, an auction platform for Internet direct trade in graphic arts, art, design, and handicrafts, an integrated transaction platform was thus created that provides clients with a clear informational advantage that translates directly into saving time and money. In addition, *artnet Magazine* appears every workday as three online magazines in three languages in Berlin, New York, and Paris. They offer a broad readership independent background information and professional art market analyses.

Step by step, artnet built this integrated service system around its first product, the *artnet Fine Art and Design Price Database*. The latter was the answer to the decentralized character of the art market, whose lack of surveyability was an obstacle especially for buyers. The art business has always been international, but it is conducted locally in a relatively inefficient market by tens of thousands of geographically scattered art dealers, galleries, auction houses, book publishers, museums, and collectors. The *artnet Fine Art and Design Price Database* creates a global standard of comparison for these local markets. The subscriber can thereby conduct research on meanwhile more than 3.8 million auction results in the realm of visual arts and design, going back to the year 1985. Today, the *artnet Fine Art and Design Price Database* has a broad client base: primarily major auction houses, art dealers, museums, and insurance companies, but recently growing in the private customer segment, as well.

Introducing *artnet Auctions* in 2008 was the next logical step. Here, artnet created a professional, flexible auction platform for online trading that modernizes the auction business with the goal of increasing efficiency. artnet here establishes contact between sellers and buyers and shortens the



duration of transactions to one-fifth. artnet thereby strengthens its function as a market instrument that offers its members access to the global market, substantial additional sales possibilities, and low-priced marketing solutions in an economically difficult time. This product is also interesting precisely for the members of the *artnet Gallery Network*, for whom it opens up a new market segment in which 85 % of the participants are new customers.

The artnet success story has also enabled the company to grow. 1999 saw the company's initial listing on the Neuer Markt of Frankfurt's stock exchange. In 2002, the artnet.com AG changed its name to artnet AG. Its substantial participation is the 100 % subsidiary company Artnet Worldwide Corp., which was founded in 1989 in New York. The artnet AG left the Neuer Markt on October 4, 2002 and was thereafter listed on the General Standard of Frankfurt's stock exchange, a segment of the regulated market. Since February 1, 2007 the artnet AG has been listed on the Prime Standard of the Frankfurt stock exchange.



Berlin-Kreuzberg, home to the German office. This part of town has developed from a center of alternative life-styles to a creative hotspot. Since the end of 2008, artnet has been located in the heart of a new Berlin melting pot. Pictured here is the production office. Isaac Bigsby Trogdon, responsible for digital production and picture editing, makes the necessary technical preparations for the annual report. Photo: artnet

## Brand Strategy

### artnet® A Strong Brand

The art market is no longer imaginable without artnet. The company itself and its products have become a brand toward which not only today's, but also future clients orient themselves. But what characterizes the quality of this brand?

In 2009, the executive board commissioned the Markenbüro Hamburg to conduct a study that was not intended to learn about the company's image, but to filter out what drives the brand. An online survey of 10,000 American clients asked about the strengths of the individual products. What motivates the clients? What competencies do they attribute to the overall platform?

A clear picture emerged that underscores the brand's stable value. The classical products *artnet Price Database* und *artnet Gallery Network* still do the most to promote client loyalty. Their professionalism is undisputed and without competition on the market. Professionals know the quality of the offerings. Customer satisfaction is high. Next ranking in contributing to respect for the brand are the magazines. A wellinformed public familiar with the market thereby sets clear standards. Price performance ratio, timeliness, speed, and objectivity are important. But gallery clients in particular place equal value on service and personal contact with customers.

artnet enjoys a position of trust that is also manifested in the quality of consultation. This is shown also at *artnet Auctions*, where experts' painstaking work provides security for sellers and buyers and is among the decisive criteria in using the product. As a result, artnet will continue to invest in the consultation competence of its experts and specialized personnel—and communicate this more intensively to the public.

The great value that clients place on the magazines rounds out this picture. Unfalsified straightforwardness, being to the point, timeliness, and a clear weighting of market and background information are important for the readers. What thereby emerges is that the company is not only perceived as competent, but can also rely on its clients' competence. The artnet clientele deals with the market self-confidently and wants transparency, independence, and efficiency. Thus, the values that artnet has always counted on are also the expectations of the users. They see artnet as a rewarding investment in the art market. The informational advantage is important, because it pays off measurably for market participants.

The Markenbüro Hamburg will advise artnet on sharpening its brand profile for all products and continue to accompany the company as it implements an integrated brand strategy.

## artnet.fr Model Case of an Increase in Market Share

The importance of competent consultation for our brand identity reveals that artnet is judged not only by the quality of its information, but always also by its client proximity. That's why, in 2008, the executive board resolved to strategically expand the company's involvement in one of the most important European markets and build a French artnet subsidiary of the Artnet Worldwide Corp. In the summer of the same year, artnet France SARL was founded and Gina Kehayoff was entrusted with developing the new site in Paris. In the fall, artnet.fr went online. The goal was not only to use a presence in the center of the French capital to make the brand artnet a permanent feature of the art market in France, as well, but to establish it in all francophone countries.

The constantly growing numbers of artnet.fr users meanwhile document the success of the efforts made so far. More and more clients use the French website to reach the *artnet Fine Art and Design Price Database* and the *artnet Decorative Art Price Database*, to inform themselves in the *artnet Gallery Network*, or to register as users of *artnet Auctions*. Partnerships with art fairs like the *FIAC*, the *Paris Photo*, the *Art Elysées*, and *Art Paris* and with renowned institutions have proven productive in anchoring artnet in the minds of French clients. The collaboration with the cultural magazine *Polka* and with *rue89*, France's largest online magazine, additionally increases the reach of artnet.fr.

As a strategic instrument of communication, artnet France also uses its own online art magazine, which pursues a decidedly crossmedia strategy. This can be seen not only in video interviews with gallerists, auctioneers, art collectors, curators, and other multipliers. The magazine concentrates primarily on talks with stars of the art system like Gilbert & George, Ilya & Emilia Kabakov, Claude Lévêque, and Annette Messager. What she and other prominent art lovers say on artnet.fr carries weight and is quoted in other media, taken up on other online platforms, and promoted on social networks like Twitter, Facebook, Dailymotion, and YouTube. Based on this broad networking, France and Britain are among the most important sites for search engine marketing (SEM). In these two countries, the subscription products from artnet achieve the greatest turnover generated by the Internet as distribution mode.

artnet's presence in France in and outside of the Internet not only fortifies the brand name, but also expands its business with galleries, auction houses, and collectors. artnet.fr is increasingly perceived as an autonomous French actor and will get involved in Italy, Spain, and North Africa on the same basis. The rapidly established model for success is a signpost for additional strategic markets of the future.

## artnet® Products

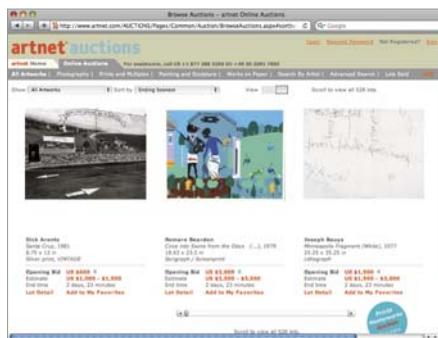
### The Art Market on One Platform

### What's for Sale?

#### Buy and Sell Art. 24/7

##### artnet Auctions

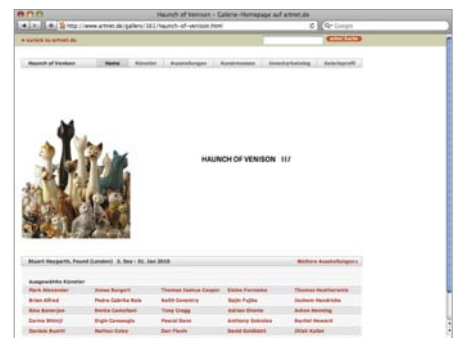
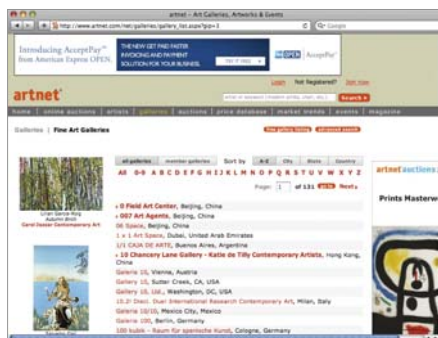
The *artnet Auctions* modernize the auction business. artnet establishes direct contact between buyer and seller, thereby radically shortening the time needed to complete a purchase. In comparison with the traditional auction business, the customers' transaction costs are halved.



#### Find Available Artworks

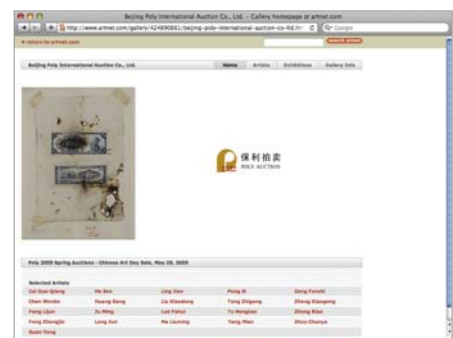
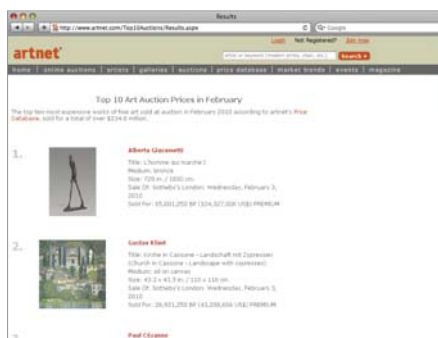
##### Galleries

The *artnet Gallery Network* is a networked showroom for the most important international galleries. Visitors can view almost the entire global selection of galleries. The network shows the listed artists' works, accessible all over the world at a glance.



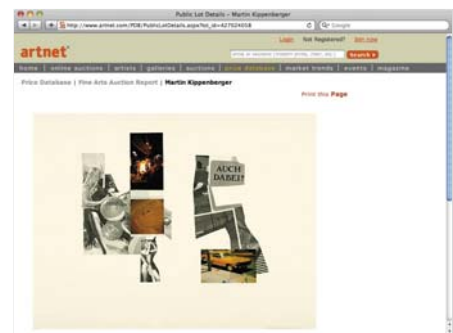
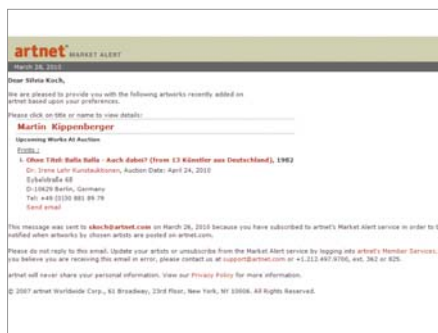
##### Auction House Directory

The *artnet Auction House Directory* lists the world's leading auction houses. The directory provides a global market overview to the auction customer and alerts for upcoming auctions.



##### Market Alert

The *artnet Market Alerts* make it possible for interested collectors to inform themselves automatically about new works on the market.





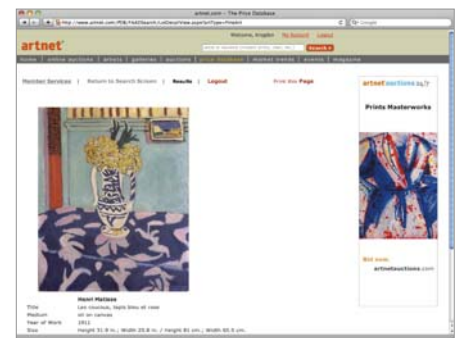
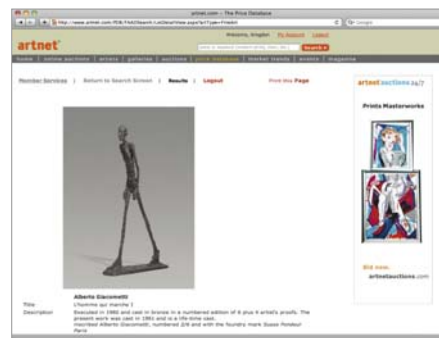
## Tools for Professional Evaluation

### What's it Worth?

#### Research Prices

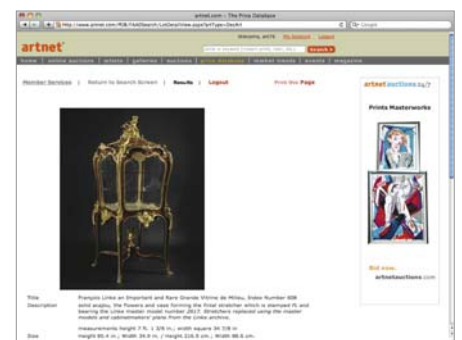
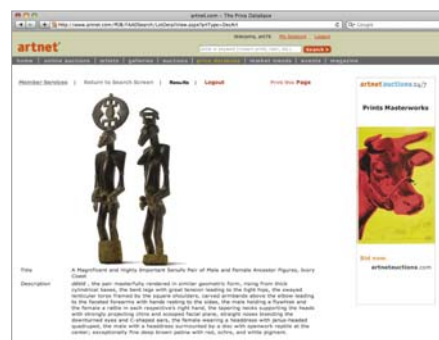
##### Fine Art and Design Price Database

The *artnet Fine Art and Design Price Database* holds 4.2 million auction results on 161,000 artists and designers. The data goes back to the year 1985.



##### Decorative Art Price Database

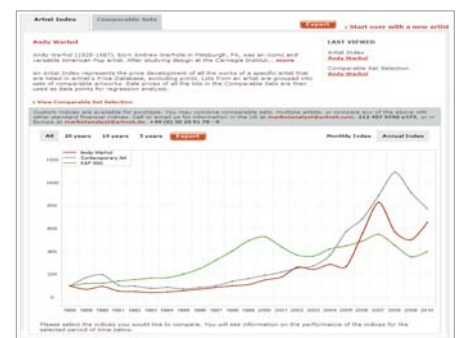
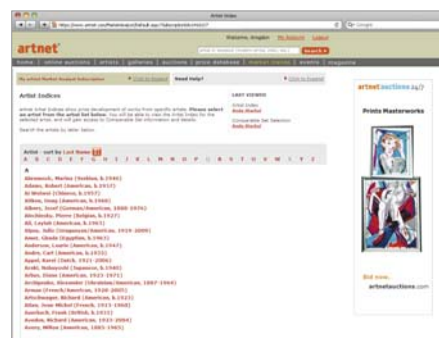
The *artnet Decorative Art Price Database* stores the sales results of international antiquities auctions, ranging from furniture and silverware to carpets and clocks.



#### Order Analyses and Reports

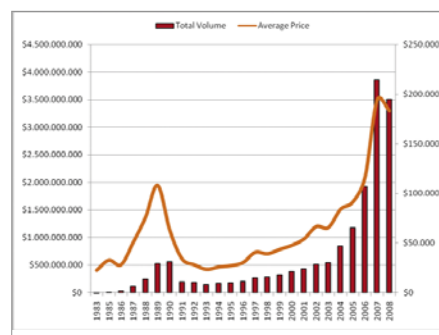
##### Market Analyst

The new product *artnet Market Analyst* pictures the art market by the means of price indexes—in a manner investors already know from other markets.



##### Market Reports

The *artnet Market Performance Reports* contain data about the market development of more than 4,300 artists. The reports help when deciding on the best time to buy or sell.

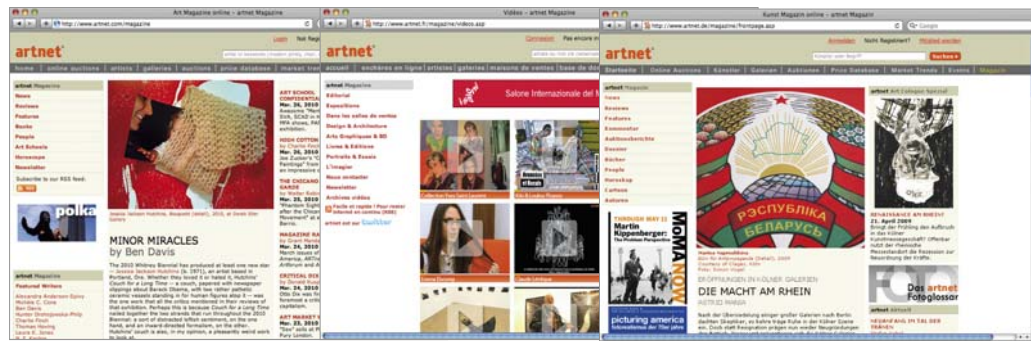


## Knowledge for Market Decisions Knowledge and Criticism

### Read Daily News and Reviews

#### artnet Magazine

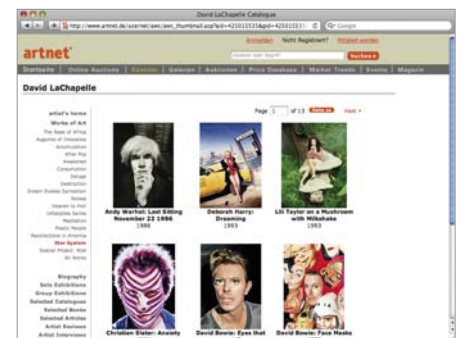
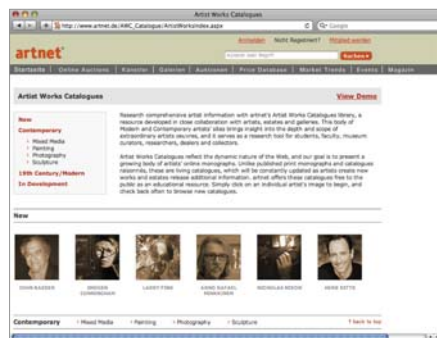
First in New York, then in Berlin, and since 2008 also in Paris, artnet has offered its customers three independent online art magazines. The specialized public is thereby provided insider knowledge.



### Find Artists and Exhibitions

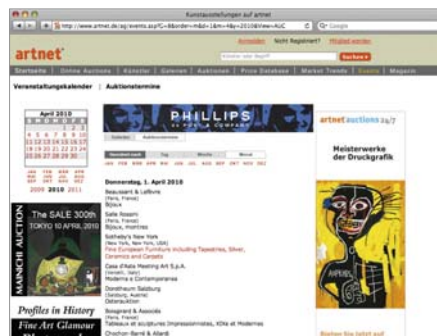
#### Artist Works Catalogues

artnet oversees comprehensive artist oeuvre catalogues. Within this framework, artnet provides biographical information, exhibition activity and publications.



#### Art Events and Exhibitions

The artnet Event Calendar lists exhibitions, events and auctions worldwide.

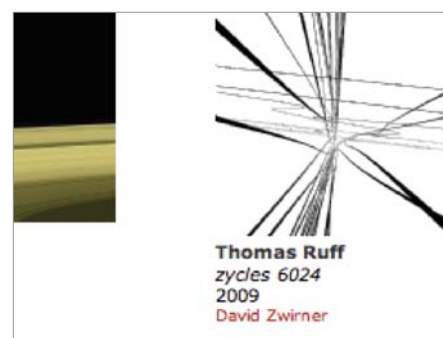
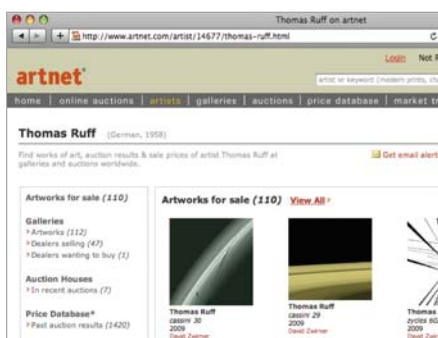
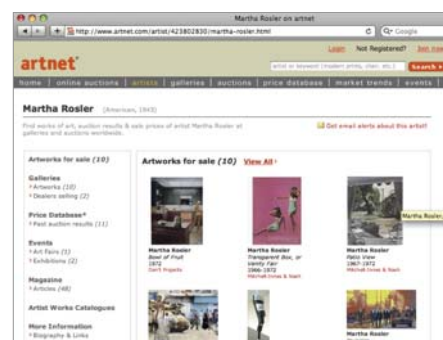
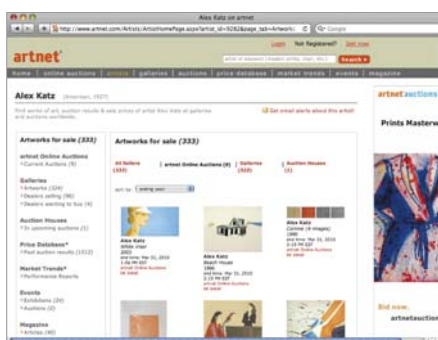
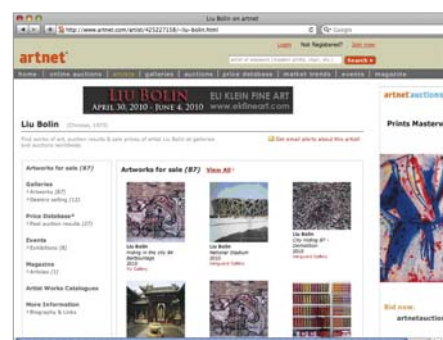
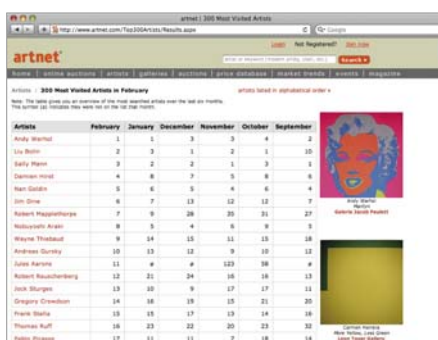
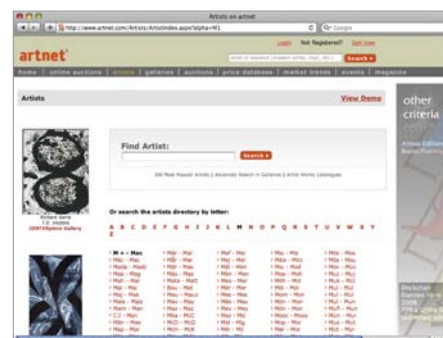
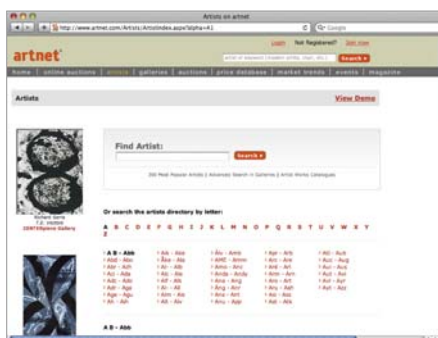


## Artists A-Z

Currently, internet users can find more than 210,000 artists on artnet. They are listed in the *artnet Gallery Network*, the *artnet Price Databases*, the offers of the auction houses or are represented in the *artnet Auctions* or the *artnet magazines*. *Artists A-Z*, artnet's artist register, has thus developed into the art world's free-of-charge encyclopedia. It is the art world's search engine, used by ten thousands of visitors per day. At the same time, *Artists A-Z* is the most frequent way for internet users to directly access artnet.

artnet has thus turned from a specialized research service for professionals into an integrated service and information platform for the entire art world. The company is further developing these services.

artnet has become an information center for artists, curators, collectors, researchers or any internet user with an interest in art.



## artnet Auctions

### The New Transaction Platform—More Efficiency for the Auction Market

The *artnet Auctions* were introduced in 2008. They modernize the auction business by establishing rapid, direct contact between buyers and sellers. In comparison with the traditional auction business, customers profit from a halving of transaction costs and a drastic reduction of the time needed to complete a purchase. The online sale takes only about a fifth of the time otherwise needed.

artnet thereby has the ideal product for accelerating the international art trade. artnet auction customers can respond more rapidly to changes in the market environment, realize profits, and take price developments into account.

artnet submits sellers to a rigorous examination before they are permitted on the auction platform. Many sellers are dealers and gallerists who already benefit from the *artnet Gallery Network*. Professional sellers thereby have an additional tool for simplifying and accelerating the international art business.

Regularly offered *Special Sales* thereby fuel an additional market dynamic.




Browse Auctions – artnet Online Auctions


http://www.artnet.com/AUCTIONS/Pages/Common/Auction/BrowseAuctions.aspx#sortBy= C Google

**artnet auctions** [Login](#) [Request Password](#) Not Registered? [Sign](#)

[artnet Home](#) [Online Auctions](#) For assistance, call US +1 877 388 3256 EU +49 30 2091 7850


[All Artworks](#) | [Photography](#) | [Prints and Multiples](#) | [Painting and Sculpture](#) | [Works on Paper](#) | [Search By Artist](#) | [Advanced Search](#) | [Lots Sold](#) | [FAQ](#)

Show [All Artworks](#) Sort by [Ending Soonest](#) View  Scroll to view all 528 lots.



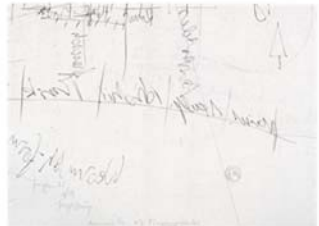
**Dick Arentz**  
Santa Cruz, 1981  
8.75 x 12 in  
Silver print, VINTAGE

Opening Bid **US \$600 C**  
Estimate **US \$1,000 - \$1,500**  
End time 2 days, 23 minutes  
[Lot Detail](#) [Add to My Favorites](#)



**Romare Bearden**  
Circe into Swine from the Odys (...), 1979  
18.63 x 23.5 in  
Serigraph / Screenprint

Opening Bid **US \$2,000 C**  
Estimate **US \$2,500 - \$3,500**  
End time 2 days, 23 minutes  
[Lot Detail](#) [Add to My Favorites](#)



**Joseph Beuys**  
Minneapolis Fragment (White), 1977  
25.25 x 35.25 in  
Lithograph

Opening Bid **US \$1,500 C**  
Estimate **US \$1,500 - \$2,000**  
End time 2 days, 23 minutes  
[Lot Detail](#) [Add to My Favorites](#)


Browse Auctions – artnet Online Auctions


http://www.artnet.com/AUCTIONS/Pages/Common/Auction/BrowseAuctions.aspx#Auction= C Google

**artnet auctions** [Login](#) [Request Password](#) Not Registered? [Sign](#)

[artnet Home](#) [Online Auctions](#) For assistance, call US +1 877 388 3256 EU +49 30 2091 7850

[All Artworks](#) | [Photography](#) | [Prints and Multiples](#) | [Painting and Sculpture](#) | [Works on Paper](#) | [Search By Artist](#) | [Advanced Search](#) | [Lots Sold](#) | [FAQ](#)

1 auctions found. Sort by [Ending Soonest](#) View 



**Damien Hirst**  
Transcendent Skull, 2008  
8.3 x 5.5 x 5.5 in  
Mixed Media, Household Gloss on Plastic Skull

Winning Bid **US \$37,856 C**  
Estimate **US \$45,000 - \$60,000**  
End time The auction has ended  
[Lot Detail](#) [Add to My Favorites](#)

## artnet Gallery Network

### The Network—2,200 Galleries at a Glance

The *artnet Gallery Network* is a showroom that presents the current offerings of more than 2,200 galleries. It is the world's largest network of its kind. In it, customers find 158,000 works by more than 39,000 artists and gain an overview of almost the entire global gallery market. Thus, price trends can be recognized and local gallery offerings can be compared and appraised in the international context.

The artnet user is thereby informed not only with the images, titles, dimensions, and material descriptions of the works of art on offer. He can also directly contact the gallery selling the work shown. Additional information lists the artist's current exhibitions, participations in art fairs, and publications. In a globalized art market, network users can see all of an artist's relevant activities at a glance.

The galleries, too, profit from this. The size of the network with its large number of users draws customers from far beyond the accustomed local market. The optimal system of search-machine ranking improves a gallery's worldwide reach, thereby increasing turnover and liquidity.

A visit to a page is free of charge. The represented galleries pay a monthly fee. The continuing globalization of the art market and the opening of new market segments continue to offer growth potential for the *artnet Gallery Network*.

artnet - Art Galleries, Artworks & Events

http://www.artnet.com/net/galleries/gallery\_list.aspx?gip=3

Introducing AcceptPay™ from American Express OPEN. THE NEW GET PAID FASTER. INVOICING AND PAYMENT SOLUTION FOR YOUR BUSINESS. TRY IT FREE

Login Not Registered? Join now

artnet®

artist or keyword (modern prints, chair, etc.) Search ▶

home | online auctions | artists | galleries | auctions | price database | market trends | events | magazine

Galleries | Fine Art Galleries

free gallery listing advanced search

all galleries member galleries Sort by A-Z City State Country

All 0-9 A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

Page: 1 of 131 go to Next ▶

0 Field Art Center, Beijing, China

007 Art Agents, Beijing, China

06 Space, Beijing, China

1 x 1 Art Space, Dubai, United Arab Emirates

1/1 CAJA DE ARTE, Buenos Aires, Argentina

10 Chancery Lane Gallery - Katie de Tilly Contemporary Artists, Hong Kong, China

Galerie 10, Vienna, Austria

Gallery 10, Sutter Creek, CA, USA

Gallery 10, Ltd., Washington, DC, USA

10.21 Dieci. Due! International Research Contemporary Art, Milan, Italy

Lilian Garcia-Roig  
Autumn Birch  
Carol Jazzar Contemporary Art

artnet auctions 2

Prints Masterwork

Haunch of Venison - Galerie-Homepage auf artnet.de

http://www.artnet.de/gallery/161/haunch-of-venison.html

zurück zu artnet.de artnet Suche

Haunch of Venison Home Künstler Ausstellungen Kunstmessen Inventarkatalog Galerieprofil

HAUNCH OF VENISON III/

Stuart Haygarth, Found (London) 2. Dez - 31. Jan 2010 Weitere Ausstellungen ▶

Ausgewählte Künstler

Mark Alexander	Jonas Burgert	Thomas Joshua Cooper	Eloise Fornieles	Thomas Heatherwick
Brian Alfred	Pedro Cabrita Reis	Keith Coventry	Gajin Fujita	Jochem Hendricks
Rina Banerjee	Enrico Castellani	Tony Cragg	Adrian Ghenie	Anton Henning
Zarina Bhimji	Enio Casanovi	Rascal Dany	Anthony Goleas	Rachel Howard

## artnet Price Database Products

### Prices and Trends—Transparency for Buyers and Sellers

#### artnet Fine Art and Design Price Database

The *artnet Fine Art and Design Price Database* is an illustrated online databank containing 3.8 million auction results on 182,000 artists and designers. The data goes back to the year 1985 and comprises auction prices from more than 500 renowned small, midsize, and large auction houses all over the world. The price data storage contains more auction lots on the 4,000 best-selling artists and designers than any other databank for visual art.

#### artnet Decorative Art Price Database

The *artnet Decorative Art Price Database* contains the sales results of international antique auctions, from furniture and silver to carpets and clocks. The research can be differentiated by collecting category, time period, or kind of object, as well as by medium, size, sale date, auction house, or artist/manufacturer.

#### artnet Market Analyst

The *artnet Market Analyst* is a new product. It allows for differentiated statistical methods to be applied to art market segments, artists, and individual works, all of this in an easy manner that requires no special knowledge—investors will recognize the familiar principle of stock exchange indices.

#### artnet Market Alert

The *artnet Market Alerts* provide an opportunity for interested collectors to automatically receive email information on works that newly come up for sale. Collectors can select up to 30 artists from a pool of more than 206,000 artists in the artnet database.

#### artnet Market Reports

The *artnet Market Reports* contain data on the market development of more than 4,300 artists. Buyers and sellers can gather information on everything from the development of sales volumes to the development of the percentage of unsold lots. The reports help deciding on a favorable time to buy or sell.

artnet.com - The Price Database


http://www.artnet.com/PDB/FAADSearch/LotDetailView.aspx?artType=FineArt

Welcome, itrogdon [My Account](#) [Logout](#)

Search


home | online auctions | artists | galleries | auctions | **price database** | market trends | events | magazine

Member Services | Return to Search Screen | **Results** | Logout | Print this Page



artnet auctions 24/7

Prints Masterworks



Bid now.  
artnetauctions.com

artnet.com - The Price Database


http://www.artnet.com/PDB/FAADSearch/LotDetailView.aspx?artType=DecArt

Welcome, art76 [My Account](#) [Logout](#)

Search

home | online auctions | artists | galleries | auctions | **price database** | market trends | events | magazine

Member Services | Return to Search Screen | **Results** | Logout | Print this Page




Title A Magnificent and Highly Important Senufo Pair of Male and Female Ancestor Figures, Ivory Coast

Description *déblé*, the pair masterfully rendered in similar geometric form, rising from thick cylindrical bases, the bent legs with great tension leading to the tight hips, the swayed lenticular torso framed by the square shoulders, carved armbands above the elbow leading

artnet auctions 24/7

Prints Masterworks



Bid now.  
artnetauctions.com

## artnet Magazines

### Prognoses for Professionals—Art Magazine Analyses

While it continues to improve its statistical tools, artnet offers its customers thorough background information and market analyses. Three complete, independent editorial offices in New York, Berlin and Paris publish three on-line art magazines with reviews, news and features posted on each workday. The artnet editors and a number of renowned authors deliver unbiased, objective reports. artnet's services profit from the credibility of this journalistic range.

#### artnet Magazine New York on [artnet.com](http://artnet.com)

The New York magazine was founded in 1995 as the first of what are now three magazines. Editor in Chief Walter Robinson acted as a pioneer in on-line arts journalism, inventing a broadreaching mix of topics and formats that still defines the publication today. With artnet Magazine New York, artnet wrote online arts journalism history.

#### artnet Magazine Berlin on [artnet.de](http://artnet.de)

The German site also launched a magazine just under a decade later. Its outspoken stance and critical impact has made it into one of the German language art business's most important source of information.

#### artnet Magazine Paris on [artnet.fr](http://artnet.fr)

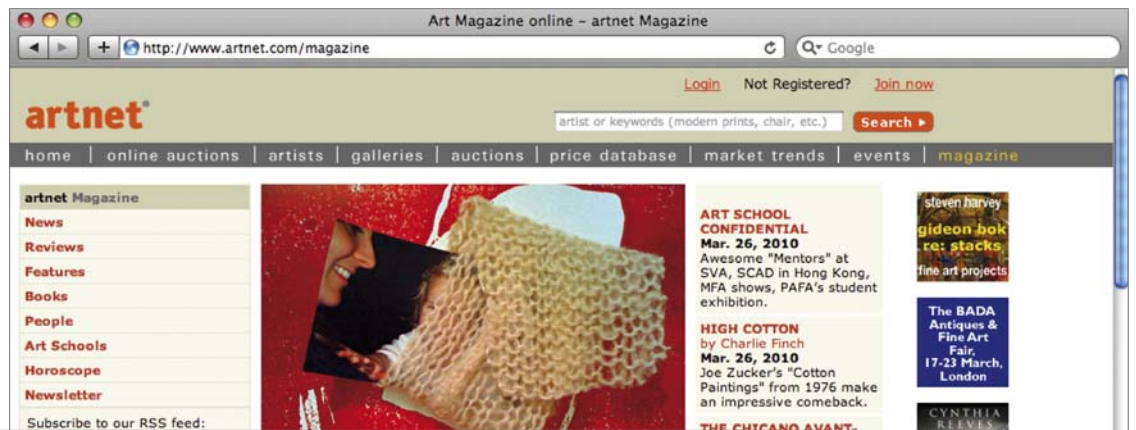
The Paris magazine launched in 2008 with its very own editorial concept. Innovative video formats are added to classical reviews and subjective portraits, which have already been perceived as an independent voice after only a short time in the French art scene.

**Annette Messenger**, a veteran of feminist role-playing in contemporary French art, during a September 2009 interview in Paris with the artnet Magazine. Such conversations with artists have become a permanent fixture within the [artnet.fr](http://artnet.fr) Magazine. Celebrities of the international art scene take a seat on the *sofa orange* in front of the camera. The videos are viewable not only by [artnet.fr](http://artnet.fr)'s audience but also—as a result of integration in blogs, websites and video platforms—by an international public.

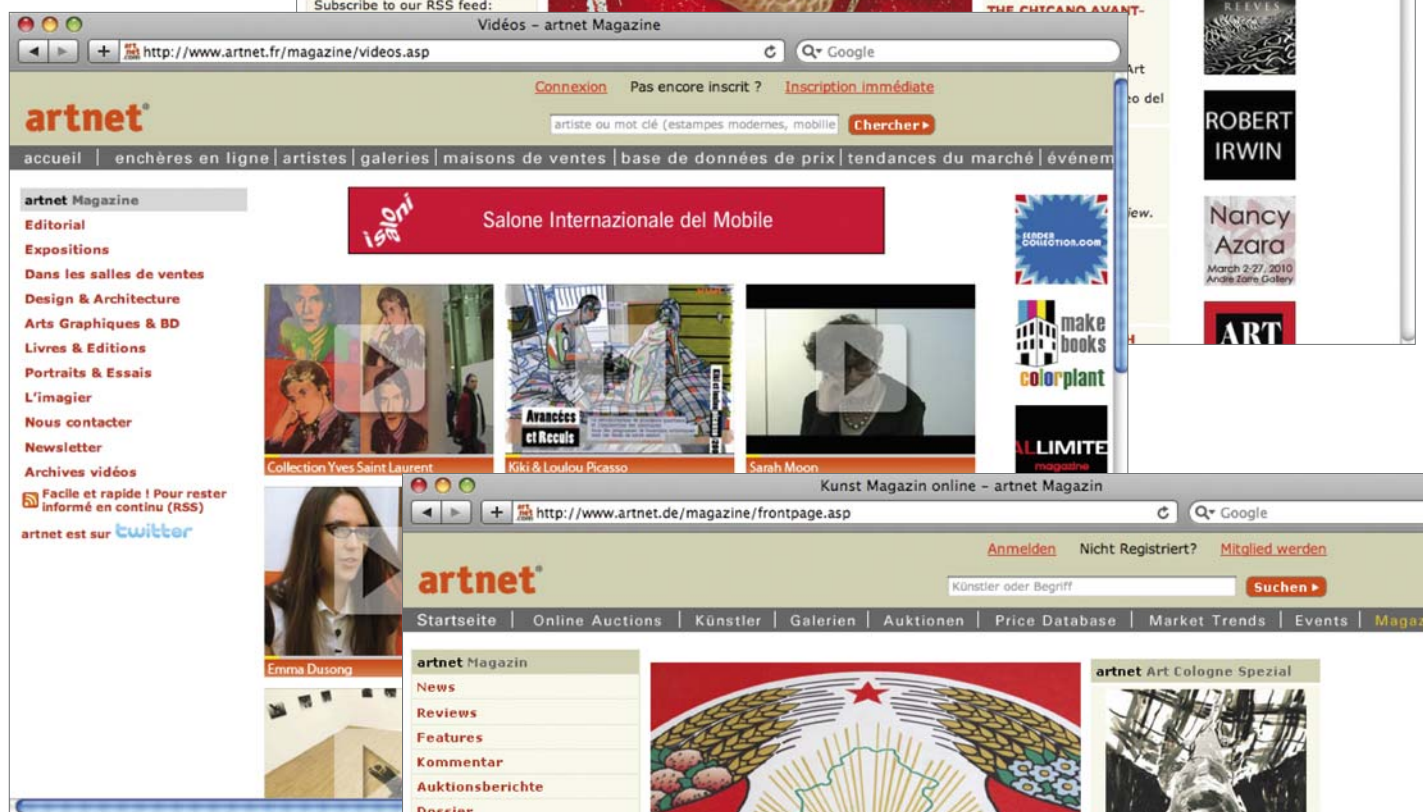




artnet.com/magazin



artnet.fr/magazine



artnet.de/magazin



## artnet Knowledge

The knowledge of the art world—a reliable and authorized source

## artnet Artist Works Catalogues

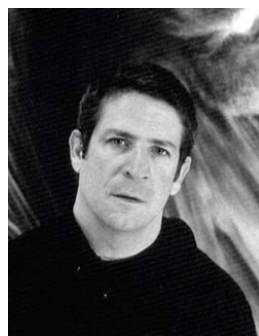
The artnet Artist Works Catalogues form a comprehensive library of artist monographs. They are established in close cooperation with artists, estates, and galleries. They gather reproductions of works, biographical and bibliographical information as well as an artist's exhibition activity, all of this in an easily accessible, online format.

Thus, a 'living catalogue' takes shape, a reliable, authorized source of information that can be updated any time. From Nancy Spero to Marina Abramovic, Imogen Cunningham to Lee Friedlander, from Peter Phillips over Robert Longo to David LaChapelle—the range of artists couldn't be more varied or impressive. Professionals and art lovers all over the world use this continuously growing encyclopedic network.

Nancy Spero  
Marina Abramovic  
Imogen Cunningham  
Lee Friedlander



Peter Phillips  
Robert Longo  
David LaChapelle





Artist Works Catalogues

http://www.artnet.de/AWC\_Catalogue/ArtistWorksIndex.aspx

artnet®

Anmelden Nicht Registriert? Mitglied werden

Künstler oder Begriff Suchen ▶

Startseite | Online Auctions | Künstler | Galerien | Auktionen | Price Database | Market Trends | Events | Magazin

### Artist Works Catalogues [View Demo](#)

**New**

**Contemporary**

- › Mixed Media
- › Painting
- › Photography
- › Sculpture


**19th Century/Modern**

**In Development**


Research comprehensive artist information with artnet's Artist Works Catalogues library, a resource developed in close collaboration with artists, estates and galleries. This body of Modern and Contemporary artists' sites brings insight into the depth and scope of extraordinary artists oeuvres, and it serves as a research tool for students, faculty, museum curators, researchers, dealers and collectors.

Artist Works Catalogues reflect the dynamic nature of the Web, and our goal is to present a growing body of artists' online monographs. Unlike published print monographs and catalogues raisonnés, these are living catalogues, which will be constantly updated as artists create new works and estates release additional information. artnet offers these catalogues free to the public as an educational resource. Simply click on an individual artist's image to begin, and check back often to browse new catalogues.


**New**




JOHN BAEDER




IMOGEN CUNNINGHAM




LARRY FINK



ARNO RAFAEL MINKINEN



NICHOLAS NIXON



HERB RITTS

David LaChapelle Catalogue

http://www.artnet.de/usernet/awc/awc\_thumbnail.asp?aid=425015535&gid=425015535

artnet®

Anmelden Nicht Registriert? Mitglied werden

Künstler oder Begriff Suchen ▶

Startseite | Online Auctions | **Künstler** | Galerien | Auktionen | Price Database | Market Trends | Events | Magazin

### David LaChapelle

artist's home


Works of Art

- The Rape of Africa
- Auguries of Innocence
- Accumulation
- After Pop
- Awakened
- Consumption
- Deluge
- Destruction
- Dream Evokes Surrealism
- Excess
- Heaven to Hell
- Inflatables Series
- Meditation
- Plastic People
- Recollections in America
- Star System**
- Special Project: Rize
- All Works


Biography

- Solo Exhibitions
- Group Exhibitions
- Selected Catalogues
- Selected Books


Page 1 of 13 [Gehe zu](#) next ▶




**Andy Warhol: Last Sitting**  
November 22 1986  
1986





**Deborah Harry: Dreaming**  
1993



**Lili Taylor on a Mushroom with Milkshake**  
1993







## artnet Partnerships At Home at Art Fairs and Events

### artnet Collaborations and special services

artnet is a regular partner at major art world's events. artnet customers benefit from the platform's dense interconnectivity, when the magazines report on Gallery Weekends or art fairs and add to those events by supplying a broad range of additional information. Events with a local focus thus become accessible on a global scale. artnet acts as a virtual interface between these events and its services, creating a global hub between the *artnet Gallery Network*, the data bases and artnet's journalistic services. artnet aims for long-term collaborations and helps build connections between institutions, collectors, dealers and the audience on a globalized art market. The number of those who would like to benefit from the strength of this network is continuously growing and thus also the number of those who decide for artnet as their service and information platform.



Gala night of *DC Düsseldorf Cologne Open 2009* at Rheinterrasse Düsseldorf. A hotspot for the art world's VIPs, artnet is their media partner. Photo: artnet/Nick Ash

artnet goes offline: At the 2009 *Berlin Gallery Weekend*, 38 Berlin galleries presented 58 artists—all over town. As their media partner artnet creates a project website and also conceives and produces the tabloid magazine *PRviews* that is widely read and becomes the topic of fierce discussions. Photo: artnet



Art Forum Berlin, 2009, artnet Magazin LIVE BLOG

http://www.artnet.de/magazine/dossier/kunstmessen/artforum2009/ Google

Anmelden Nicht Registriert? Mitglied werden

Künstler oder Begriff Suchen ►

Startseite | Online Auctions | Künstler | Galerien | Auktionen | Price Database | Market Trends | Events | Magazin

Navigation > artnet.de Magazin / Art Forum Berlin, 2009

**Neuanfang mit Realismus**

**28. Sep. 2009, 08:19**

Das art forum berlin ist mit den üblichen Erfolgsmeldungen zu Ende gegangen. Jede Messe stellt am letzten Tag kurz vor Toresschluss fest, dass die Verkäufe gut und die Sammler glücklich waren und die Galeristen mit sattem Wohlbehagen nach Hause fahren. Dass die Verhältnisse in Rezessionszeiten schwieriger sind, ist nur zwischen den Zeilen der PR-Prosa formuliert, dürfte aber niemanden wundern.

Verwunderung herrscht allein darüber, wie klar, einfach und am Ende einleuchtend die Rezeptur war, mit der die neue Messeleitung dem art forum berlin einen Neustart verschafft haben. Man hatte es nicht mit Kosmetik versucht, sondern eine solide Standortanalyse vorgelegt und mit Realismus und Augenmaß umgesetzt. Statt sich allein auf die jüngeren Zeitgenossen zu konzentrieren, wurden auch klassischere Perioden des 20. Jahrhunderts zugelassen. Statt Sammler einzuflechten wurde das Angebot auf die existierenden Besucherschichten zugeschnitten. Was manche als "Klein-Basel" verspotteten, wurde zu einem bodenständigen, Schritt

**People**

**Fotostrecke: Eröffnung abc und Preview art forum berlin**

Fotos von Nick Ash

**29. September 2009**

Gemeinsam feiert's sich besser: Das art forum berlin lud zum Ausstellerempfang in die Akademie, anschließend eröffnete dort die abc.

**Nachbericht**



Inaugural press conference of *DC Düsseldorf Cologne Open 2009*. For the first time ever, 78 Rheinland-based galleries cooperate. artnet provides the event's online network. From reviews over downloadable exhibitors' information to city maps—artnet reflects the broad spectrum of the Rhineland art scene. From left to right: Dr. Daniel Dettling and Dr. Ulrich Cichy (Referent and head of the department 'Kreativwirtschaft im Ministerium für Wirtschaft, Mittelstand und Energie des Landes NRW'), gallerists Linn Lühn (Cologne), Michael Cosar (Düsseldorf) and Wolfgang Gmyrek (Düsseldorf), Düsseldorf city councillor in charge of cultural affairs Hans-Georg Lohe, Thomas Rehbein (gallerist, Cologne) and Gerrit Gohlke (Executive Director artnet AG). Photo: Sarah Gmyrek



## Highlights





**Alberto Giacometti**  
*L'Homme qui marche I*, 1961  
 Bronze.

**Sotheby's London**  
 Auction on February 3, 2010  
 Auctioneer Henry Wyndham  
 and *L'Homme qui marche I*  
 Photo: Sotheby's, London

The market is back, especially in the high-end segment. At Sotheby's London, a stunning Giacometti spoke to the buyers. The piece was sold for 65 million GBP. The most expensive piece of all time.

The estimate was 12–18 million GBP.  
 The work sold for 65,001,250 GBP





**Christoph Büchel, *Wallet (lost)*, 2009**  
Wallet (full), nail.

Sometimes an old trick can be the latest art. Enfant terrible Christoph Büchel set this wallet on the floor at *Art Basel* 2009. Again and again, visitors bent down to pick up the unexpected lost item that, priced at 55,000 EUR, was much more expensive than it looked.

Courtesy of Hauser & Wirth,  
Zürich/London  
Photo: Stefan Kobel

**Mike Kelley, *Bottle 13*, 2007**  
Color video projection.

Mike Kelley's *Kandors* was a highlight at the second *St. Moritz Art Masters* (SAM) in summer 2009. Jablonka Galerie presented the elaborate video installation as part of the *Walk of Art*.

Courtesy of Jablonka Galerie, Cologne  
Photo: Frederik Nilsen





© Succession H. Matisse, Paris/VG Bild-Kunst, Bonn 2010

**Henri Matisse**

*Les coucous, tapis bleu et rose*, 1911  
Oil on canvas.

Following the February 2009 auction at Christie's Paris, one could conclude that even in winter during the financial crisis, good work always sells. This point was further proven by the purchase of a Matisse for nearly 36 million EUR.

Estimate: 12–18 million EUR  
Sold for: 35,905,000 EUR

**Ernst Ludwig Kirchner**

*Drei Akte im Wald*, 1912  
Oil on nettle.

The artwork was thought to be lost. Cases of restitution such as this quickly become politicized issues. The auction house Van Ham acted cautiously, reaching an agreement with the heirs and selling the work for a sensational price of 900,000 EUR.

Estimate: 400,000–600,000 EUR  
*Moderne & Zeitgenössische Kunst*  
auction May 27, 2009, Van Ham, Cologne











**Omer Fast**  
*Nostalgia III*, 2009  
Super 16 transferred to HD, video still.

Courtesy of Omer Fast;  
gb Agency, Paris;  
Postmasters, New York;  
Galerie ARRATIA, BEER, Berlin;  
Hamburger Bahnhof –  
Museum für Gegenwart, Berlin

Winning the prize of the Freunde der Nationalgalerie has become one of the most important accomplishments in the German art scene. Even in economically challenging times, the art business evokes emotions and produces social highlights.







**Martin Kippenberger**

*Paris Bar, 1991*

Oil on canvas.

Estimate: 800,000–1,200,000 GBP

Sold for: 2,281,250 GBP

Christie's London

Auction on October 16, 2009

When it has something to do with art, emotions can easily run high. When Martin Kippenberger's work that he created for a celebrity bar in Berlin sold for more than two million pounds, the tabloids picked up on a scandal because he had not painted it himself. This was not, however, an unusual move for Kippenberger. The market had more art appreciation than the media and rewarded the idea.

artnet AG

## Company Background

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 then listed in the General Standard at the Frankfurt Stock Exchange, a segment of the EU-regulated Geregelter Markt. Effective February 1, 2007, artnet AG is now listed in the Prime Standard of the Frankfurter Stock Exchange. Its principal holding is its wholly owned subsidiary, Artnet Worldwide Corp., a New York corporation that was founded in 1989. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

## Report of the Supervisory Board

The Supervisory Board, which did not form any committees in the year under review, exercised its statutory duties and supervised management of the company in accordance with the law and the articles of incorporation. In the year 2009 the Supervisory Board held meetings on February 5, March 24, July 15, September 11 and December 14, 2009. During the entire year the Supervisory Board was regularly provided with detailed information by the Board of Directors in the form of both written and oral reports with regard to the situation, business operations as well as strategy and important measures. Quarterly and semiannual reports were discussed with the Board of Directors. The Board of Directors consulted the Supervisory Board on an ongoing basis with regard to questions of fundamental importance to corporate policy.

At the meeting on February 4, 2009 the Supervisory Board specified the bonus for Mr. Neuendorf for financial year 2008.

At the meeting on March 24, 2009 the Supervisory Board focused essentially on the annual financial statements for artnet AG as of December 31, 2008 as well as the consolidated financial statements for financial year 2008 and the suggestion of the Board of Directors to propose to the General Meeting of Shareholders on July 15, 2009 that the net profit for the year in the amount of EUR 1,233,591.52 be appropriated to the other retained earnings.

At the meeting on July 15, 2009 the Supervisory Board concerned itself with the progress of business; in particular with the development of both sales and cash flow, as well as the planned online auctions. Moreover, Supervisory Board Chairman John Hushon, who could not participate in the statutory General Meeting on July 15, 2009, was informed of both the course and the voting results of the General Meeting of Shareholders.

At the meeting on September 11, 2009 the Supervisory Board focused closely on current and future business performance; in particular with the current interim balance sheet of artnet AG. Due to the economic environment in which artnet does business and in light of the negative development of the company's liquid resources the Supervisory Board discussed and approved the plan submitted by the Board of Directors for a reduction of expenditures. This program comprises essentially the savings of expenditures for freelance employees and salaried employees. In the course of the discussion of this program, the Supervisory Board examined each segment in which artnet AG does business. This meeting took place at the business premises of artnet Worldwide Corp. At this meeting the Supervisory Board also held detailed discussions with the staff responsible for the individual corporate units *artnet Auctions*, *artnet Gallery Network*, *artnet Price Database*, *artnet Advertising* and IT.

At the meeting on December 14, 2009 the Board of Directors and the Supervisory Board discussed the financial reports of artnet AG as of November 30, 2009. Furthermore, the Supervisory Board agreed to grant share options to the members of management and staff of artnet Worldwide Corp.

The composition of the Supervisory Board changed in financial year 2009. With the correspondence from March 27, 2009, which artnet AG received on April 8, 2009, Mr. Klaus-Jochen Schaeffer withdrew from office for health reasons. On April 21, 2009 Mr. Hannes Goesseln was appointed as a member the Supervisory Board by Berlin-Charlottenburg Local Court based on an amendment by artnet AG.



The Supervisory Board considered the contents of the German Corporate Governance Code. Together with the Board of Directors the Supervisory Board resolved in a resolution, distributed by way of circulation on November 20–21, 2009, to issue the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act [AktG] which then was made permanently accessible to shareholders on the website of artnet AG on December 5, 2009.

The annual financial statements of artnet AG prepared by the Board of Directors in accordance with the German Commercial Code [HGB] for financial year 2009 and the consolidated financial statements of artnet AG prepared by the Board of Directors for financial year 2009 in accordance with IFRSs and amended (in the notes) were reviewed by the auditors Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, together with the management report and the group management report. The auditors came to the conclusion that both the annual financial statements in accordance with the German Commercial Code [HGB] and the amended consolidated financial statements in accordance with IFRS stipulations provide a true and fair view of the net assets, financial position and results of operations for the financial year and thus issued an unqualified auditor's report for the respective financial statements reviewed.

The annual financial statements prepared by the Board of Directors for artnet AG as of December 31, 2009 were submitted together with the management report to the Supervisory Board for review. After conclusion of their review the auditors participated in the balance sheet meeting of the Supervisory Board on March 25, 2010 and reported on the results of their audit. The Supervisory Board took approving note of the result of the audit. The Supervisory Board reviewed the annual financial statements of artnet AG as well as the associated management report. The Supervisory Board has no objections to the final result of its review. The Supervisory Board approved the annual financial statements of artnet AG prepared by the Board of Directors in the version audited by Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, by way of a resolution dated March 25, 2010. The annual financial statements as of December 31, 2009 have thus been approved.

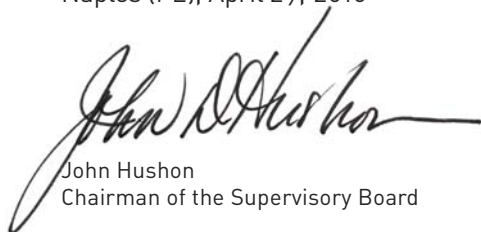
After the consolidated financial statements as of December 31, 2009 and the 2009 group management report that were audited and issued with an unqualified auditor's report by Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, had been approved by the Supervisory Board at the meeting on March 25, 2010 attended by the auditors, the Board of Directors of artnet AG resolved to amend the consolidated financial statements as of December 31, 2009 by adding disclosures about related party transactions. The amended consolidated financial statements prepared by the Board of Directors for financial year 2009 were also submitted together with the group management report to the Supervisory Board for review. After concluding their supplementary audit the auditors participated in the balance sheet meeting of the Supervisory Board on April 29, 2010 and reported on the results of their supplementary audit. The Supervisory Board took approving note of the result of the audit. The Supervisory Board reviewed the amended consolidated financial statements as well as the associated group management report. The Supervisory Board has no reservations about the final result of its review. The Supervisory Board approved the amended consolidated financial statements as of December 31, 2009 prepared by the

Board of Directors in the version audited by Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, by way of a resolution dated April 29, 2010.

The Supervisory Board wishes to thank the Board of Directors and all of the company's staff for the work performed in the course of the past year.

This Supervisory Board Report replaces the Report of the Supervisory Board dated March 25, 2010.

Naples (FL), April 29, 2010

A handwritten signature in black ink, appearing to read "John Hushon", with a long horizontal flourish extending to the right.

John Hushon  
Chairman of the Supervisory Board

## Corporate Governance Report

artnet attaches great importance to corporate governance. artnet AG corresponds to the recommendations of the German Corporate Governance Code in the current version dated June 18, 2009 with the exception of the recommendations in No. 3.8 para. 2 sent. 2, No. 4.2.1, No. 5.1.2 para. 2 sent. 3, No. 5.1.3, No. 5.3.1, No. 5.3.2, No. 5.3.3 and No. 5.4.6 para. 2 sent. 1.

The Board of Directors and the Supervisory Board of artnet AG have agreed the declaration of conformity with the code detailed at the end of this report. It is published online at [www.artnet.de](http://www.artnet.de).

## 1 Supervisory Board

According to the German Aktiengesetz, artnet has a dual-pronged management and control structure, comprising a sole member of the Board of Directors and the 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 Board of Directors 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 Board of Directors in conducting the 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 Board of Directors. 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 results of operations. The Board of Directors provides the Supervisory Board with regular, up-to-the-minute, comprehensive information on all of the 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 have to be approved by the Supervisory Board.

## 2 Board of Directors

The Board of Directors is responsible for the company's management. It must follow the company's interests and undertakes to increase the sustained enterprise value. It is responsible for the company's strategic orientation in agreement with the Supervisory Board. The Board of Directors co-operates closely with the Supervisory Board.

The Board of Directors ensures that statutory provisions are upheld and that there is suitable risk management and risk control at the company.

## 3 Directors' dealings transactions and shareholdings of Managing and Supervisory Board members

During the past fiscal year, members of the company's Board of Directors and the Supervisory Board or other executives who regularly have access to the company's insider information and who are authorized to make material entrepreneurial decisions, and certain persons closely related to these persons, made the following purchases or sales of more than EUR 5,000.00 during the calendar year:

Trade date	May 28, 2009
Name	Caroline Neuendorf
Function	Individual with a close relationship to an executive
Title financial instrument	Shares
ISIN	DE 006909500
Type of transaction	Sale/disposal to another existing shareholder
Number	18.000
Price	EUR 4.05

On March 30, 2010, the Board of Directors and the Supervisory Board held 1,512,689 or 26.86% of the shares or financial instruments based thereupon.

<b>Board of Directors</b>	Galerie Neuendorf AG	1.461.635 shares
<b>Supervisory Board</b>	John Hushon	49.054 shares
	Hannes von Goesseln	2.000 shares

#### 4 Stock option plan

The company's 2009 stock option plan comprises 560,000 ordinary shares with a theoretical value of EUR 1.00 per share. Subscription rights for up to 30,000 shares can be issued to the members of the company's Board of Directors, subscription rights for up to 240,000 shares to members of the management of affiliated companies, subscription rights for up to 10,000 shares to employees of the company, and subscription rights for up to 280,000 shares to employees of affiliated companies.

The price to be paid for one share of artnet when exercising the subscription rights corresponds to the average closing price of shares of the company in XETRA trading on the regulated market (Prime Standard) of Deutsche Börse AG, or, if this price has not been determined, in on-floor trading during the ten stock market days prior to the respective allocation date for the subscription rights. The exercise price corresponds to at least the proportionate amount of the subscribed shares to the share capital. The options may not be exercised for a period of two years. In order for the subscription rights to be exercised, the closing price of shares of artnet AG in XETRA trading on the regulated market (Prime Standard) of Deutsche Börse AG in the period between the subscription rights being issued and exercised is at least 10% higher than the exercise price on at least one stock market day during the term of the subscription rights. Options may only be exercised in groups of at least 1,000 options.

#### 5 Relationships with shareholders

artnet AG reports to its shareholders four times each fiscal year on business growth and on the group companies' financial position and results of operations. The Annual General Meeting is held during the first eight



months of each fiscal year. The General Meeting resolves on issues including the appropriation of profits, the ratification of the Board of Directors and the Supervisory Boards and the election of the auditor. Changes to the articles of incorporation and capitalization activities are resolved exclusively by the General Meeting.

## 6 Declaration of conformity with the German Corporate Governance Code

The Board of Directors and the Supervisory Board resolved the following declaration within the meaning of Section 161 of the AktG by circulating the voting papers on November 20 and 21, 2009:

— that the recommendations of the Government Commission of the ‘German Corporate Governance Code’ as amended on June 18, 2009—published in the electronic Federal Gazette (*Bundesanzeiger*) on August 5, 2009—are generally complied with. The following recommendations are not applied:

**1. No. 3.8 para. 2 sentence 2 “A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.”**

artnet AG does not believe that the due care and diligence that the members of its Supervisory Board exercise in discharging their duties could be increased further by agreeing a deductible. For this reason, artnet AG does not intend to change existing D&O insurance policies that do not provide for such a deductible.

**2. No. 4.2.1 “The Board of Directors shall be comprised of several persons and have a Chairman or Spokesman. By-laws shall govern the work of the Board of Directors, in particular the allocation of duties among individual Board of Directors members, matters reserved for the Board of Directors as a whole, and the required majority for Board of Directors resolutions (unanimity or resolution by majority vote).”**

Since its constitution, the Board of Directors of artnet AG has comprised one person. By contrast, the Board of the subsidiary Artnet Worldwide Corp. in New York, which is responsible for operations within the Group, comprises several persons. Given the relatively low management effort and expense at artnet AG and to avoid unnecessary expenditure, the Company currently does not see any need to increase the size of its Board of Directors. As a result, there is no need to draw up by-laws.

**3. No. 5.1.2 para. 2 sent. 3 “An age limit for members of the Board of Directors shall be specified.”**

artnet AG considers a provision of this nature to be inappropriate because general age limits would unduly limit the shareholders’ and Supervisory Board’s discretionary powers when selecting members of the Board of Directors and the Supervisory Board.

**4. No. 5.1.3 “The Supervisory Board shall issue Terms of Reference.”**

The Supervisory Board of artnet AG comprises only three members. Previous experience of the cooperation of these members shows that Terms of Reference are not necessary.

**5. No. 5.3.1, No. 5.3.2, and No. 5.3.3: In these sections, the Code recommends that the Supervisory Board form committees, an Audit Committee and a Nomination Committee.**

As the Supervisory Board of artnet AG comprises only three members, it does not make sense to form committees. The tasks envisaged for the Audit Committee and the Nomination Committee are undertaken jointly by the Supervisory Board as a whole.

**6. No. 5.4.6 para. 2 sent. 1: “Members of the Supervisory Board shall receive fixed as well as performance-related compensation.”**

The articles of incorporation of artnet AG do not provide for performance-related compensation for the members of the Supervisory Board. Following a lengthy debate, the Board of Directors and the Supervisory Board reached the conclusion that performance-related compensation of Supervisory Board members is not consistent with the duties of the Supervisory Board, whose primary objective is to oversee the Board of Directors.

— that the recommendations of the Government Commission of the ‘German Corporate Governance Code’ as amended on June 6, 2008—published in the electronic Federal Gazette (*Bundesanzeiger*) on August 8, 2008—have generally been complied with since the last Declaration of Conformity dated December 5, 2008.

The recommendations from No. 3.8 para. 2, No. 4.2.1, No. 5.1.2 para. 2 sent. 3, No. 5.1.3, No. 5.3.1, No. 5.3.2, No. 5.3.3, and No. 5.4.6 para. 2 sentence 1 were not applied.

## **7 Remuneration Report**

The following remuneration report forms a component of the group management report and is thus subject to auditing by the group’s auditor.

This remuneration report is geared to the recommendations of the German Corporate Governance Code. It summarizes the principles that are applied when defining remuneration for artnet AG’s Board of Directors and discusses the amount and structure of the Board of Directors income. In addition, it also describes the principles behind and the amount of remuneration for the Supervisory Board. In addition, the remuneration report also includes information which is also a component of the notes to the consolidated financial statements within the meaning of Section 314 of the HGB and the group management report within the meaning of Section 315 of the HGB.

#### a) Remuneration Received by the Board of Directors

The Supervisory Board is responsible for defining the remuneration of the Board of Directors. Remuneration for the Board of Directors of artnet AG is defined based on the company's size and activities, its economic and financial position and the amount and structure of management board remuneration at comparable companies in Germany and abroad. The remuneration is measured such that it is competitive on the international market for highly qualified managers and that it provides an incentive for successful work. Remuneration for the Board of Directors in fiscal year 2009 comprised fixed remuneration and a bonus.

The individual key items of the Board of Directors remuneration are as follows:

The fixed compensation is paid monthly as a salary.

The amount of the variable bonus is at the company's discretion, which is represented by the Supervisory Board. The following guidelines apply: In the event that the company's financial and technical results in the fiscal year are approximately in line with the anticipated growth in the budget, the bonus corresponds to the fixed remuneration. In the event that actual figures fall significantly short of these targets, the company can reduce the bonus or not pay a bonus. In the event that actual figures are significantly higher than these targets, the bonus can amount to more than 100% of the fixed remuneration. The variable bonus is limited to at most twice the amount of the fixed remuneration.

In fiscal year 2009 the fixed cash remuneration for the sole member of the Board of Directors Hans Neuendorf totaled EUR 338,248 including the non-cash benefits from the private use of his company car and variable remuneration of EUR 190,000.

artnet AG provides Mr. Neuendorf with a company car (upper range), which he can also use privately. Income tax payable on the non-cash benefits from this use of the car is borne by Mr. Neuendorf.

In addition, at the subsidiary artnet Worldwide Corp. there is a split-dollar life insurance policy with Mass Mutual Insurance Company totaling USD 3 million in favor of a person related to Mr. Neuendorf. The monthly insurance premiums of USD 4,220.90 are paid by artnet Worldwide Corp. and accounted for as a loan to a related person. artnet Worldwide Corp. did not pay any premiums in 2009. artnet Worldwide Corp. terminated the contractual foundations for the split-dollar life insurance policy in December 2009 and wrote off the receivable in the full amount of EUR 211,200 which was shown in the last years balance sheet date. Please refer to the reporting in the notes to the consolidated financial statements.

In the event of premature termination of the employment relationship, the contract for the member of the Board of Directors do not contain any express promise of a severance payment. A severance payment may, however, ensue from a severance agreement concluded on an individual basis.

**b) Remuneration received by the Supervisory Board**

The General Meeting defines the Supervisory Board's remuneration based a proposal by the Board of Directors and the Supervisory Board. It is defined in the articles of incorporation.

Remuneration for members of the Supervisory Board is based on the company's size, the Supervisory Board members' tasks and responsibilities and on the company's economic situation and performance.

Members of the Supervisory Board receive fixed remuneration each year. The Chairman of the Supervisory Board receives EUR 33,750.00, the Deputy Chairman receives EUR 25,312.50 and the third member of the Supervisory Board receives EUR 16,875.00.

Berlin, March 24, 2010



artnet AG  
The Board of Directors



The Supervisory Board

## Responsibility Statement

“To the best of 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 the artnet Group. The Group 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 27, 2010

A handwritten signature in black ink, appearing to read 'Neuendorf', is written over a light gray rectangular background.

The CEO  
Hans Neuendorf



## artnet Group Management Report 2009

### 1 General Information 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.

#### artnet Positioning

With 1.9 million 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 comparables 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 kinds of applied art.

A derivative of the *artnet 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).

During 2009, commissions generated revenue in the amount of EUR 815,000 (USD 1,133,000) an increase of EUR 220 % (USD 204 %) over the prior year. Significantly, 2009 saw 2,054 transactions, among them, 86 Warhol prints, the most expensive, "Michael Jackson" (Stamped version by Warhol Estate and Foundation, illustrated in Catalogue) for a price of USD 96,500. Additionally, artnet Auctions sold a unique work by Damien Hirst, "Beautiful Aurora Painting" for a price of USD 225,500. *artnet Auctions* are attractive to sellers, reducing both the time to get to market and sellers commissions. artnet believes this product is both scalable and positioned for significant growth.

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.

## 2 Economic Environment

### Economic Climates

During 2009, the economic crisis continued to affect all countries worldwide. The United States' unemployment rates increased to a high of 10.2 % during the year. Germany also experienced a rise in unemployment rates with a rate of 8.1 % as of December 2009. The outlook for 2010, however, is slightly positive with planned increases in the gross domestic product for both the United States and the European Union.

### Environmental Art Market Background

The *Wall Street Journal* and other media have reported that the recession continued to negatively affect the art market throughout 2009. Galleries continued to close or consolidate and auction houses scaled back their sales volume resulting in revenue declines of 65 %–75 %. There are a few indications that in 2010 the art market may be rebounding (auction houses have exceeded sales expectations in the first two months of the year punctuated by a record single sale for Alberto Giacometti's "L'Homme Qui Marche I" in the amount of USD 104.3 million). Notwithstanding, there is still uncertainty.

## 3 Business Development

### Corporate Strategies and Opportunities

artnet has long been an agent for market transparency but with the addition of artnet Auctions, artnet has transformed from a pure information provider to an integrated transactional platform.

In 2009, artnet's strategic objectives were to grow the its auctions by 200% from the prior year and to launch the *artnet Decorative Art Price Database*.

artnet met both of these strategic objectives during the year with *artnet Auctions* producing EUR 815,000 (USD 1,133,000), an increase of EUR 220% (USD 204%) in revenue, and *artnet Decorative Art Price Database* launching in the spring of 2009.

In 2010, artnet will continue to focus on the growth of the artnet Auctions with an emphasis on selling higher value lots and reaching a larger audience. Additionally, artnet plans to launch the *artnet Art Market Data* product. The public is familiar with price trends represented by graphs and charts and we believe art advisory services, banks, insurance companies, family offices and all other market participants will want to purchase a new and highly sophisticated suite of indices utilizing a new "strings comparables" methodology.

#### Business Development

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 the lion's share (78 %) of artnet revenues. 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, market conditions notwithstanding.

Interestingly, the *artnet Gallery Network* and the *artnet Fine Art and Design Price Database* and the *artnet Decorative Art Price Database* have seen very little attrition with revenue declines (7 % USD), even in the face of what has been a fierce recessionary market for dealers, auctioneers and art professionals.

Our most significant declines are in banner advertising of EUR 21 % (USD 25 %), reflecting the calamitous global decline in both consumer and trade advertising for virtually all media. It should also be noted that although advertising revenue has declined, unique visits to the website have increased. Offsetting, artnet auctions' revenues have increased EUR 220 % (USD 204 %) for year ended December 31, 2009, even as industry sales of fine and decorative art objects have declined precipitously over the same period. In point of fact, November saw a record USD 1,050,000 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 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.

## 4 Results of Operations, Financial Position and Net Assets

#### Earnings

During the year ended December 31, 2009 artnet's revenue decreased 1% (USD 6 %) to EUR 12,219,000 (USD 16,989,000) from EUR 12,303,000 (USD 18,003,000) in 2008.

The US Dollar appreciated 5 % against the Euro compared to the December 31, 2008 exchange level. The Group's Euro revenue has been positively impacted because of the higher dollar.

Income from operations declined by EUR 478,000 (USD 674,000) to EUR (331,000) (USD (459,000)) from EUR 147,000 (USD 215,000) in the same period, 2008. The Group incurred additional expenses related to new and upcoming products which have increased the cost of revenue as compared to the prior year. Depreciation increased EUR 309,000 (USD 401,000), which is attributable to the launch of the *artnet Decorative Art Price Database* product, as well as other new products launched in 2008. Additionally, the Group invested in a new network infrastructure at the end of 2008 and has continued to invest in the new infrastructure in 2009, which has contributed to the increase in depreciation. Increases in cost of revenue were offset by a decrease of EUR 250,000 (USD 348,000) in server hosting fees and consulting fees, a savings attributable to the new network infrastructure. General and administrative expenses have also increased as compared to the prior year due, primarily, to an increase in bad debt reserve of EUR 46,000 (USD 56,000) as compared to the prior period, as well as an increase in personnel expenses. Income before tax was lower due to a write-off of a loan (EUR 208,000, USD 298,000) and declined by EUR 431,000 (USD 595,000) to EUR (506,000) (USD (704,000)) from EUR (75,000) (USD (109,000)) for the same period, 2008.

Net loss declined by EUR 23,000 (USD 68,000) to EUR (467,000) (USD (650,000)) in 2009 from EUR (490,000) (USD (718,000)) in 2008. The decrease in net loss is due to income taxes for prior years which were booked in 2008. This income tax expense did not recur in 2009.

Diluted earnings per share were EUR (0.08) (USD (0.12)) compared to EUR (0.09) (USD (0.13)) in the same period in 2008.

#### Currency Conversion

The consolidated financial statements on a Euro-basis were affected by the higher value of the US Dollar for the year ended December 31, 2009 compared to the same period in 2008.

Currency conversion in the consolidated statement of comprehensive income is based on the average exchange rate for the period ending December 31, 2009 and 2008, respectively. For the year ended 2009, the average rate was 0.719 Euros/Dollar compared to 0.683 Euros/Dollar for the year ended 2008. This represents a 5 % increase 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 December 31, 2009, the rate was 0.698 Euros/Dollar compared to 0.710 on December 31, 2008, thus representing a 2 % decrease.

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 (180,000) as of December 31, 2009 as compared to EUR 437,000 as of December 31, 2008. Besides the net loss, the negative operating cash flow is mainly the result of a decrease in accounts payable and deferred revenue. The Group paid in 2009 its payment obligations related to the new network infrastructure which was bought in 2008. Deferred revenue declined due to a decrease in the amount of annual contracts sold as compared to prior year.

Group investing cash flow was EUR (470,000) as of December 31, 2009 as compared to EUR (1,207,000) as of December 31, 2008. The prior years investing cash flow was heavily 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 during 2010. Additionally, hardware and software related to the network infrastructure were purchased during 2009. In some cases, equipment was purchased through capital leases.

The cash flow for financing activities was EUR (68,000) as of December 31, 2009 and represented payments towards finance leases which were entered into during 2008 and 2009.

In total, the cash balance decreased from EUR 2,925,000 (USD 4,123,000) on December 31, 2008 to EUR 2,191,000 (USD 3,140,000) on December 31, 2009. 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 0.39 (USD 0.57) on December 31, 2009 compared to EUR 0.53 (USD 0.74) on December 31, 2008.

### Asset Position

The balance sheet total was EUR 6,574,000 (USD 9,422,000) on December 31, 2009 compared to EUR 7,631,000 (USD 10,756,000) on December 31, 2008, representing a decrease of 14 % (USD (12 %)). Trade accounts receivable were reduced by EUR 47,000 (USD 44,000) to EUR 941,000 (USD 1,349,000) primarily due to decreased revenues and increased bad debt reserves.

Fixed assets decreased by EUR 106,000 (USD 105,000) to EUR 1,845,000 (USD 2,645,000). The decrease is the result of continuing depreciation and amortization from prior periods offset by equipment purchases for the new network infrastructure.

Total current liabilities decreased by EUR 550,000 (USD 709,000) from EUR 3,337,000 (USD 4,703,000) to EUR 2,787,000 (USD 3,994,000). The Group met its payment obligations for the new network infrastructure and for other liabilities during the first quarter of 2009, reducing its current liabilities. In addition, deferred revenue declined due to a decrease in the amount of annual contracts sold as compared to prior year.

artnet Group's consolidated equity was EUR 3,665,000 (USD 5,253,000) on December 31, 2009 compared to EUR 4,200,000 (USD 5,919,000) on December 31, 2008.



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 December 31, 2009 there were 99 full time employees as compared with 104 in the previous year. Additionally, the Group employed 11 part-time employees in 2009 as compared to 18 in the previous year and 12 sales and other consultants as compared to 15 in 2008.

Personnel costs were EUR 6,430,000 (USD 8,941,000) compared to EUR 6,307,000 (USD 9,229,000) in 2008. The slight decrease in USD was primarily the result of a decrease in commissions related to sales in 2009.

#### Research and Development

artnet's website is the foundation for all of our products. It is crucial to stay updated with current technology and to develop new products which enhance the users' experiences. Our developers use code based on Microsoft technology enabling them to adapt current applications to changing customer requirements. During 2008, the Group expanded its development team in order to meet the growing demands of our customers, as well as, increase growth potential with new product launches. In 2009, the Product Development team launched the *artnet Decorative Arts Price Database* which is comprised of furniture, porcelain, silver, glass, and all other artistic objects which have a practical application. This includes objects from many different historical periods. Additionally, the team launched the redesign of the *artnet Auctions* pages which allows users to better view the images of the artworks available in the *artnet Auctions*.

### 5 Disclosure of Takeover Provisions (Reporting in Accordance with § 315, Par. 4 of the German Commercial Code)

#### Composition of capital stock

The fully-paid capital stock of artnet AG remains unchanged at Euro 5,631,067 on December 31, 2009 and is divided into 5,631,067 no-par value, individual bearer shares with a calculated value of Euro 1.00 each.

#### Voting limits or assignment limits

Voting limits or limits regarding the assignment of these shares do not exist.

#### Direct or indirect share holdings exceeding 10 % of the voting rights

Holdings which exceed 10 % of the voting rights in artnet AG are held by

1. Galerie Neuendorf AG, Berlin with 25.96 %
2. Schaeffer Immobilien GmbH, Hamburg with 10.66 %
3. Artis Capital Management LLC, San Francisco (CA), USA with 10.39 %.

### Shareholders with privileges

There are no shareholders with privileges.

### Voting rights monitoring in the event of employee holdings

Any employees with holdings in artnet AG are obliged to exercise their control rights in a direct manner.

### Appointment and dismissal of members of the Executive Board, amendments to the Articles of Association

Members of the Executive Board are appointed and dismissed in accordance with §§ 84, 85 of the German Stock Corporation Act. Amendments to the Articles of Association shall be made in accordance with §§ 133, 179 of the Stock Corporation Act.

### Authorization of the Executive Board to issue and repurchase shares

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 2,800,000.00 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 2009 and 2008 no common shares were issued under this Authorized 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 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 subsidiaries (Conditional Capital 2009/I). The conditional capital increase serves to grant options to members of the Board of Directors of artnet AG, members of management of affiliated companies (§ 15 of the German Stock Corporation Act), employees of artnet AG, and employees of affiliated companies which the Shareholders' Meeting on July 15, 2009 authorized the Board of Directors to issue.

The new shares shall carry dividend rights from the beginning of the fiscal year in which they are created through the exercise of subscription rights. The conditional capital increase will only be implemented to the extent that the subscription rights are exercised.

The Shareholders' Meeting on July 15, 2009 also authorized the Board of Directors to purchase treasury stock in the amount of up to 10% of the current capital stock by the end of January 14, 2011. The consideration paid per share (excluding transaction costs) must not exceed or fall below the average closing price of the Company's shares on the last five trading days prior to the acquisition of the shares in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange by more than 10%. 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.

## 6 Compensation Report

The Compensation Report is contained in paragraph 7 of the Corporate Governance Report in this annual report and forms part of the group management report of artnet AG.

## 7 Risk Report

### Reporting in Accordance with § 315, Par. 2 No. 5 of the German Commercial Code

#### Accounting related Internal Control System

The Board of Directors has set up an internal control system for the organizational, technical and commercial workflows in the Group. A key component is the segregation of duties, which aims to ensure that executory (e.g., sales), booking (e.g., financial accounting) and administrative (e.g., IT administration) activities do not stem from a single source. The 4 eyes principle ensures that no major process goes uncontrolled.

#### Risk Management

The artnet Group has implemented a risk management system in order to identify and monitor the Group's operating and financial risks and decrease the impact of unexpected events. The risk management systems major elements are

- 1) the financial systems in which both the progress and the actual results of the operations are monitored and reported on a monthly basis;
- 2) the IT infrastructure systems which support the website;
- 3) the project management system which tracks the progress of technology projects and
- 4) the website traffic tracking system which tracks key areas of website traffic. The risk management system ensures that critical information is reported directly to the Group's management.

#### Early warning system ensures that potential risks are identified

The artnet Group uses a principally spreadsheet-based management and control system to measure, monitor and control business growth and risks. This system is mostly based on data from financial accounting. The existing risks are documented and assigned to responsibility levels within the artnet Group as part of a risk inventory and the resulting risk management system. This shows that the existing risk potential is observed in good time and, if possible, suitable activities to limit risks are put in place. The risk management system includes regular internal reporting on the course of business and current market developments and customer relationships as well as a uniform group forecasting and budgeting process, which deals with factors including operational risks and changes in the business environment. This process is supported by regular analyses of the market and competition.

### Dealing With Major Potential Risks

Operating management is directly responsible for the early recognition, control and communication of risks. As a result the artnet Group can react as quickly and extensively as possible to risks which may potentially occur. In so doing, risk policy is geared to the target of securing enterprise value over the long term, or successively increasing this.

In its overall assessment of the risk situation, the Board of Directors believes that the following risks and their treatment will be of particular importance in 2010:

- Revenue downturn as a result of the difficult market environment
- Increase in operating expenses and decrease in cash, in particular from the development and launch of new products and increased fixed costs.

The risks detailed here and their treatment could have a continued negative impact on the Group's future growth. As a result of the cost-cutting activities introduced or implemented in 2009 and the opportunities related with new products, the Group believes that earnings and cash balance will improve in 2010 and 2011. At the present time, no risks are recognized that could endanger the Group as a going concern.

The Group has identified the following key risks:

#### External Risks

##### Art Market Economic Trends

artnet is affected by fluctuations in the art market. In 2009, the art market saw a steady decline which negatively affected the Group's business. If the art market continues to decline, artnet would be significantly impacted because most of its clients and subscribers are contracted on a monthly basis.

#### Operating Risks

##### IT System Infrastructure

Any interruption in the function of the website could reduce artnet's current revenues and profits, and possibly reduce those in the future. Frequent or persistent interruptions in service could cause current or potential users to believe that the Group's systems are unreliable. This could adversely affect artnet's corporate image and reputation. These interruptions increase the burden on the IT Department, which, in turn, delays the introduction of new features and services. Although the Group's systems have been designed to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, and other disasters. artnet's website servers are located in a secured facility. Additionally, artnet plans in 2010 to implement redundant servers in an offsite location in a different part of the country that serves as a back-up to the primary system.

##### Product Development

artnet's future success will depend on the Group's ability to adapt to rapidly changing technologies and evolving industry standards. The Group plans to

continue to improve the performance, features, and reliability of the website, as well as launch new products benefitting artnet's current and potential customers. The Group observes market trends and focuses on product development. Therefore, artnet has expanded its development team in the past years. These increases in staffing will allow artnet to meet the growing demands of our customers, as well as, increase growth potential with new product launches.

#### Traffic to the Website

Traffic is important to the artnet website. A decrease in traffic would significantly impact sales for all product lines. Artnet monitors traffic on a daily, weekly and monthly basis in order to ensure traffic is within expectations. Additionally, in order to increase traffic, the Group requires a greater financial commitment to advertising and marketing. To the extent possible, artnet monitors the increased traffic and website product sales against costs in order to minimize spending risk.

### Legal Risks

#### Trademark Rights

artnet protects itself through the trademark of the artnet name in the Groups key market areas. Trademark infringement lawsuits are costly and are subject to reviews from national authorities which could result in a negative outcome for the Group.

#### Protection of Customer Data

artnet stores customer data in compliance with all current laws and regulations. However, if a third party were to succeed in bypassing artnet's security measures and obtain customer information, artnet could be liable for any damages incurred.

### Financial Risks

#### Foreign Currency Fluctuations, Credit Risk and Liquidity Risk

artnet conducts a portion of its business outside the United States, thereby facing exposure to adverse movements in currency exchange rates. As exchange rates vary, net sales and other operating costs, when calculated, may differ substantially from expectations. artnet does not currently hedge against such currency risks, however, the group companies accept payments from clients and pay vendors using Euros and British Pounds. This aids in reducing the foreign currency exchange risk.

With the exception of adverse currency fluctuations, the artnet Group currently faces no other significant financial risks.

artnet has no significant concentration of credit risk because the exposure is averaged over a large number of customers including individuals and entities dealing in the fine art market. Nevertheless, the economic downturn worldwide 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 customers' default. This would negatively affect the Group's earnings, as well as its financial position. artnet tries to counter such risks by agreeing upfront payments with customers whenever this is possible.

artnet has no significant interest bearing debt and has a sufficient amount of cash at its disposition so that the Group faces no material liquidity or interest risk.

Due to the relatively small financial risks in the business, artnet has not used any derivative financial instruments to further hedge or control these risks.

### Other Risks

#### Key Employees

The market for skilled and motivated managers is highly competitive. artnet's relatively small size makes it vulnerable to the negative impact of the loss of a key employee. The Group's performance can be affected by such a loss. artnet counters such personnel risks by offering a stock option incentive plan to its key employees, as well as, a shared knowledge system within departments.

There is the possibility that the above list does not outline all risks to which artnet is exposed. Unrecognized and unreported risks could arise causing negative effects on business performance. The Group continues to monitor its environment and review the effectiveness of the risk management systems. Despite continuous adjustments to the risk management system, it is not possible to entirely quantify the probability of risks occurring or their financial impact.

## 8 Subsequent Events

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

## 9 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 two 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.

Notwithstanding, it is our expectation we will maintain revenues from our subscriber-based products *artnet Gallery Network* and *artnet Price Database*, as in 2009.

And, despite significant declines in advertising revenues in 2009, we would anticipate advertising revenues will stabilize in 2010 as we now have a much

stronger initiative where national advertising is concerned (2009-2010 saw significant campaigns from HSBC, American Express, New York Times Company, Rado Watch, and from an elite cadre of luxury retailers like Barney's, Cartier, and Burberry's). Certainly, our print competitors (art publications and newspapers) for advertising have seen calamitous declines, not just in 2009, but in the last 30 months, 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).

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.

Summing, we would anticipate a next to break even result for 2010 and a positive Group net income for 2011.

Berlin, April 27, 2010

A handwritten signature in black ink, appearing to read 'H. Neuendorf', written in a cursive style.

The CEO  
Hans Neuendorf

## artnet AG Consolidated Statement of Financial Position

As of December 31, 2009, and December 31, 2008

		12/31/2009	12/31/2008	12/31/2009	12/31/2008
	Notes	USD	USD	EUR	EUR
<b>Current assets</b>					
Cash and cash equivalents	3	3.140.219	4.122.960	2.190.931	2.925.240
Accounts receivable-net	4	1.348.631	1.392.944	940.940	988.294
Prepays and other current assets	5	601.536	500.886	419.692	355.379
<b>Total current assets</b>		<b>5.090.386</b>	<b>6.016.790</b>	<b>3.551.563</b>	<b>4.268.913</b>
<b>Noncurrent assets</b>					
Property and Equipment	6	1.208.490	1.281.577	843.163	909.279
Intangible assets	7	1.436.413	1.468.521	1.002.185	1.041.916
Security deposit		298.400	288.975	208.194	205.028
Due from related parties	26	0	297.674	0	211.200
Deferred tax asset	8	1.388.665	1.402.605	968.872	995.148
<b>Total noncurrent assets</b>		<b>4.331.968</b>	<b>4.739.352</b>	<b>3.022.414</b>	<b>3.362.571</b>
<b>Total assets</b>		<b>9.422.354</b>	<b>10.756.142</b>	<b>6.573.977</b>	<b>7.631.484</b>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Accounts payable	9	295.060	698.141	205.863	495.331
Accrued expenses and othe liabilities	10	1.474.062	1.483.164	1.028.451	1.052.305
Current income tax liabilities	8	409.380	402.573	285.626	285.626
Finance lease obligation	11	137.411	69.424	95.872	49.256
Deferred revenue	12	1.678.269	2.050.130	1.170.929	1.454.568
<b>Total current liabilities</b>		<b>3.994.182</b>	<b>4.703.432</b>	<b>2.786.741</b>	<b>3.337.086</b>
<b>Long term liabilities</b>					
Finance lease obligation	11	175.432	133.575	122.399	94.771
<b>Total liabilities</b>		<b>4.169.614</b>	<b>4.837.007</b>	<b>2.909.140</b>	<b>3.431.857</b>
<b>Shareholders' equity</b>					
Common stock	13	5.941.512	5.941.512	5.631.067	5.631.067
Treasury stock	13	(269.241)	(269.241)	(264.425)	(264.425)
Additional paid-in capital		51.695.464	51.675.796	50.455.505	50.441.360
Accumulated deficit		(51.380.953)	(50.663.418)	(51.199.973)	(50.709.610)
Current net profit		(649.544)	(717.535)	(467.151)	(490.363)
Foreign currency translation		(84.498)	(47.979)	(490.186)	(408.402)
<b>Total shareholders' equity</b>		<b>5.252.740</b>	<b>5.919.135</b>	<b>3.664.837</b>	<b>4.199.627</b>
<b>Total liabilities and shareholders' equity</b>		<b>9.422.354</b>	<b>10.756.142</b>	<b>6.573.977</b>	<b>7.631.484</b>

## artnet AG Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2009, and 2008

		01/01– 12/31/2009	01/01– 12/31/2008	01/01– 12/31/2009	01/01– 12/31/2008
	Notes	Consolidated USD	Consolidated USD	Consolidated EUR	Consolidated EUR
<b>Revenue</b>					
artnet Gallery Network		7.165.076	7.713.081	5.153.123	5.271.120
artnet Price Database		6.110.842	6.578.072	4.394.918	4.495.454
Advertising		2.137.525	2.849.182	1.537.308	1.947.131
artnet Auctions		1.133.229	372.714	815.018	254.713
Other products		442.345	490.105	318.135	334.938
<b>Total revenue</b>	22	<b>16.989.017</b>	<b>18.003.154</b>	<b>12.218.502</b>	<b>12.303.356</b>
<b>Cost of sales</b>	18	<b>6.420.690</b>	<b>6.224.360</b>	<b>4.617.760</b>	<b>4.253.727</b>
<b>Gross profit</b>		<b>10.568.327</b>	<b>11.778.794</b>	<b>7.600.742</b>	<b>8.049.629</b>
<b>Other operating expenses</b>					
Selling and marketing		4.133.394	4.308.116	2.972.737	2.994.167
General and administrative		4.578.869	4.403.136	3.293.123	3.009.103
Product development		2.295.455	2.711.053	1.650.891	1.852.734
Non-cash compensation	15	19.668	141.908	14.145	96.980
<b>Total other operating expenses</b>		<b>11.027.386</b>	<b>11.564.213</b>	<b>7.930.896</b>	<b>7.902.984</b>
<b>Profit from operations</b>	18	<b>(459.059)</b>	<b>214.581</b>	<b>(330.154)</b>	<b>146.645</b>
<b>Interest expense</b>	8	<b>(34.113)</b>	<b>(114.071)</b>	<b>(24.534)</b>	<b>(77.956)</b>
<b>Interest income</b>		<b>16.020</b>	<b>57.080</b>	<b>11.522</b>	<b>39.008</b>
<b>Other income/(expense)</b>	18, 26	<b>(226.995)</b>	<b>(267.019)</b>	<b>(163.255)</b>	<b>(182.480)</b>
<b>Profit prior to tax</b>	18	<b>(704.147)</b>	<b>(109.429)</b>	<b>(506.421)</b>	<b>(74.783)</b>
Income taxes	8	54.603	(608.106)	39.270	(415.580)
<b>Net profit</b>		<b>(649.544)</b>	<b>(717.535)</b>	<b>(467.151)</b>	<b>(490.363)</b>
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		(36.519)	20.552	(81.784)	194.322
<b>Total comprehensive income</b>		<b>(686.063)</b>	<b>(696.983)</b>	<b>(548.935)</b>	<b>(296.041)</b>
<b>Earnings per share</b>					
Net profit per basic share	17	(0,12)	(0,13)	(0,08)	(0,09)
Net profit per diluted share	17	(0,12)	(0,13)	(0,08)	(0,09)
<b>Weighted average shares</b>					
Basic shares	17	5.552.986	5.552.986	5.552.986	5.552.986
Diluted shares	17	5.552.986	5.686.986	5.552.986	5.686.986

## artnet AG Consolidated Statement of Changes in Shareholder's Equity (USD)

For the Year Ended December 31, 2009 and 2008

	Common stock		Additional	Treasury	Acumulated	Foreign	
	Shares	Amount	paid-in	stock	deficit	currency-	Total
	issued		capital			translation	
<b>Balance – Januar 1, 2008</b>	5.631.067	5.941.512	51.533.888	(269.241)	(50.663.418)	(68.531)	6.474.210
Total comprehensive income					(717.535)	20.552	(696.983)
Non-cash compensation			141.908				141.908
<b>Balance – December 31, 2008</b>	5.631.067	5.941.512	51.675.796	(269.241)	(51.380.953)	(47.979)	5.919.135
Total comprehensive income					(649.544)	(36.519)	(686.063)
Non-cash Compensation			19.688				19.688
<b>Balance – December 31, 2009</b>	5.631.067	5.941.512	51.695.464	(269.241)	(52.030.497)	(84.498)	5.252.740

## artnet AG Consolidated Statement of Changes in Shareholder's Equity (EUR)

For the Year Ended December 31, 2009, and 2008

	Common stock		Additional	Treasury	Acumulated	Foreign	
	Shares	Amount	paid-in	stock	deficit	currency-	Total
	issued		capital			translation	
<b>Total</b>							
<b>Balance – Januar 1, 2008</b>	5.631.067	5.631.067	50.344.380	(264.425)	(50.709.610)	(602.724)	4.398.688
Total comprehensive income					(490.363)	194.322	(296.041)
Non-cash compensation			96.980				96.980
<b>Balance – December 31, 2008</b>	5.631.067	5.631.067	50.441.360	(264.425)	(51.199.973)	(408.402)	4.199.627
Total comprehensive income					(467.151)	(81.784)	(548.935)
Non-cash compensation			14.145				14.145
<b>Balance – December 31, 2009</b>	5.631.067	5.631.067	50.455.505	(264.425)	(51.667.124)	(490.186)	3.664.837



## artnet AG Consolidated Statement of Cash Flows

For the Year Ended December 31, 2009 and 2008

		01/01– 12/31/2009	01/01– 12/31/2008	01/01– 12/31/2009	01/01– 12/31/2008
	Note	Consolidated USD	Consolidated USD	Consolidated EUR	Consolidated EUR
<b>Cash flows from operating activities</b>					
Net profit		(649.544)	(717.535)	(467.151)	(490.363)
Adjustments to reconcile net profit to net cash provided by operating activities:					
Depreciation and amortization	18	963.299	562.345	692.805	384.307
Provision for doubtful accounts	4, 26	534.699	181.391	378.155	123.963
Deferred income taxes	8	13.940	7.253	10.025	4.956
Non-cash compensation	15	19.668	141.908	14.145	96.980
Other non-cash transactions		(65.745)	174.065	(34.801)	88.085
<b>Changes in operating assets and liabilities:</b>					
Accounts receivable		(192.712)	(483.506)	(138.598)	(330.428)
Prepaid and other current assets		(100.650)	(15.845)	(72.387)	(10.828)
Security deposits		(9.425)	(114.188)	(6.778)	(78.038)
Accounts payable		(403.081)	110.757	(289.896)	75.691
Provisions		0	(146.129)	0	(99.865)
Accrued expenses and tax liabilities		(2.295)	817.578	(6.546)	569.240
Deferred revenue		(371.861)	145.212	(259.447)	103.031
<b>Total adjustments</b>		<b>385.837</b>	<b>1.380.841</b>	<b>286.677</b>	<b>927.094</b>
<b>Net cash (used in)/provided by operating activities</b>	24	<b>(263.707)</b>	<b>663.306</b>	<b>(180.474)</b>	<b>436.731</b>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	6, 11	(197.970)	(831.224)	(142.380)	(562.761)
Purchase and development of intangible assets	7	(456.173)	(898.723)	(328.080)	(614.187)
Receivables from related parties		0	(42.412)	0	(30.092)
<b>Net cash used in investing activities</b>	24	<b>(654.143)</b>	<b>(1.772.359)</b>	<b>(470.460)</b>	<b>(1.207.040)</b>
<b>Cash flows from financing activities</b>					
Repayment of financial lease	6, 11	(94.117)	0	(67.689)	0
<b>Net cash used in financing activities</b>	24	<b>(94.117)</b>	<b>0</b>	<b>(67.689)</b>	<b>0</b>
Effects of exchange rate changes on cash		29.226	(108.526)	(15.686)	67.096
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(982.741)</b>	<b>(1.217.579)</b>	<b>(734.309)</b>	<b>(703.213)</b>
Cash—Beginning		4.122.960	5.340.539	2.925.240	3.628.453
<b>Cash—Ending</b>	3	<b>3.140.219</b>	<b>4.122.960</b>	<b>2.190.931</b>	<b>2.925.240</b>
<b>Supplemental disclosures of cashflow information</b>					
Income taxes paid		68.541	(176.608)	49.295	(124.998)
Interest paid		(10.287)	(3.257)	(7.398)	(2.226)
Interest received		16.015	57.080	11.518	39.008

## Notes to the Consolidated Financial Statement 2009

### 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. 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 and 100 % of the shares in artnet UK Ltd. and artnet France SARL artnet AG and Artnet Worldwide Corp. together with Artnet Worldwide 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 Online Auctions in 2008 which is a web based trading platform for modern and contemporary fine art, prints and photographs by renowned artists.

Applying § 315a of the German Commercial Code (HGB), the consolidated financial statements for the parent and subsidiary companies were prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations of the International Accounting Standards Board (IASB) effective within the EU.

The consolidated financial statements were authorized for issuance by the CEO on March 23, 2010.

Following the balance sheet meeting of the Supervisory Board on March 25, 2010, the Board of Directors of artnet AG resolved to amend the notes to the 2009 consolidated financial statements and add the following information to No. 26 “Related Party Transactions”:

- Specification of the seller’s commission that a company that is a related party of Mr. Hans Neuendorf (Galerie Neuendorf AG) paid to artnet AG for the use of online auction services,
- Specification of commission that a person who is a related party of Mr. Hans Neuendorf (Mrs. Caroline Neuendorf) received for procuring artists for the Artist Works Catalogues,
- Specification that the disclosure on the entry into a USD 3 million Split-Dollar Life Insurance policy for the benefit of a related party of Mr. Neuendorf in financial year 2001 relates to Mrs. Caroline Neuendorf. This had already been specified in the notes to the consolidated financial statements for 2007 and 2008.

The amended consolidated financial statements of artnet AG were released for publication by the Board of Directors on April 27, 2010.

### 2 Summary of Significant Accounting Policies

#### Basis of Accounting and Reporting Currency

Amounts included in the consolidated financial statements and notes to the consolidated financial statements are stated as required by German law in EUROs (EUR), unless otherwise noted. The reporting currency is Euro.

The currency of the primary economic environment in which artnet operates is US Dollars. For convenience purposes, especially of our US investors, the consolidated statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity are also presented in US Dollar.

The consolidated financial statements have been prepared on a historical cost basis. The balance sheet date is December 31, 2009. The principal accounting policies adopted are set out below.

#### **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 AG 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 Limited 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.

#### **Reporting Period**

The consolidated financial statements were prepared for the reporting period January 1 through December 31, 2009. The financial year for all Group companies coincides with the calendar year.

#### **Revenue Recognition**

Revenue for services is recognized when services are rendered. Revenue from up-front fees where the service has not yet been provided by the artnet Group is deferred and recorded as revenue when the Group provides the service.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for services provided in the normal course of business, net of discounts, and other sales related taxes.

#### **Accounts Receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Additionally, when customers pay using a credit card, there is a clearing period before the cash is received by the Group, usually two or three days. Hence, these funds are treated as a receivable until the cash is settled.

The allowance for doubtful accounts is the artnet Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable. In determining the adequacy of the allowance for doubtful accounts, management considers a number of factors primarily including the aging of the receivable portfolio. Actual results could differ from those estimates.

#### **Property and Equipment**

Property and equipment are valued at historical cost less accumulated depreciation. The artnet Group computes depreciation and amortization using the straight-line method. Computer equipment, furniture and fixtures, and office equipment are depreciated over an estimated useful life of three to seven years. Leasehold improvements are amortized over the lesser of the term of the related lease or its estimated useful life which is up to ten years. Maintenance expenses that neither enhance the value of an asset nor prolong the useful life are expensed as incurred.

#### Intangible Assets Including Website Development Costs

Intangible assets are comprised of purchased software and website development costs. Intangible assets are recorded at historical cost and amortized on a straight-line basis over their estimated useful life of three years. All intangible assets have a finite useful life.

Costs related to the research, planning and post implementation phases of the Group's website, such as minor enhancements and maintenance, development efforts are expensed as incurred. Direct costs incurred in the development phase are capitalized, if the product or process is technically and commercially feasible, there is a market for the result of the website development, the attributable expenditure can be measured reliably, and the Group has sufficient resources to complete development. The market condition is substantiated as only expenditures related to those development projects are capitalized that are expected to generate future revenues.

#### Impairment

At each balance sheet date, the artnet Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows of the cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit for which the estimates of future cash flows have not been adjusted. 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 immediately.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized immediately.

#### Income Taxes

The current tax expense is based on the results for the year of the individual consolidated company as adjusted for items which are non-taxable or non-deductible. It is calculated using rates that have been enacted as at the balance sheet date.

Deferred taxes are recognized under the asset and liability method in respect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and tax loss or tax credit carryforwards can be utilized.

Deferred tax assets and liabilities are measured using enacted or substantially enacted statutory tax rates for the years in which the differences are expected to reverse. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The recognition of deferred tax assets on tax loss carryforwards is based on a three years budget.

### Foreign Currency Translation and Transactions

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	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Current rate year end	.698	.710	.628	.691
Average rate for the year	.719	.683	.641	.545

### Trade Payables

Trade payables are not interest bearing. Trade payables and other liabilities are stated at amortized cost.

### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated.

### Leasing

#### Group as Lessee

Leases under which the Group assumes substantially all of the risks and benefits of ownership are classified as finance leases. At the inception of the lease, the leased asset and a lease liability are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. In subsequent periods the leased asset is depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term by producing a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they occur.

A lease is classified as an operating lease if the substance of the transaction does not meet any of the requirements of a finance lease. Lease payments under an operating lease are charged to the statement of comprehensive income on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

#### Group as Lessor

Rental income from operating leases is recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.



**Retirement Benefit Costs**

Artnet Corp. offers a defined contribution benefit plan, which qualifies under Section 401(k) of the Internal Revenue Code. Payments made by Artnet Corp. are charged as an expense

**Share-Based Payments**

Artnet AG provided stock-options on artnet AG's shares to executive management and to certain employees of Artnet Corp. The stock-options are measured at fair value at the date of grant. The fair value determined at the grant date less the fair value of any consideration received at grant date is expensed over the vesting period based on the estimated amount of shares that will eventually vest. The fair value of the stock-options is measured using the Binomial-model.

**Treasury Stock**

Company-held shares are reported at cost in a separate equity line-item.

**Changes in Presentation of the Income Statement**

Expenses related to the costs for the magazines were formerly disclosed under "cost of revenues" and are now disclosed under "selling and marketing" in order to more accurately reflect the nature and intent of these costs. The prior year has been adjusted for comparison purposes. As a result, prior year cost of revenues expenses in the amount of EUR 754,000 were reclassified into selling and marketing costs.

**Adoption of New or Revised Standards and Interpretations****New or Revised Standards and Interpretations effective in the current period**

The Group applied IAS 1 "Presentation of Financial Statement" and IFRS 8 "Operating Segments" for the first time in fiscal year 2009 leading to the following changes:

- IAS 1 "Presentation of Financial Statements": The income statement is complemented by a statement of comprehensive income. These effects will no longer be presented in the statement of changes in equity. Particularly, effects of foreign currency translation of the included financial statements are presented in the line "other comprehensive income" in the statement of comprehensive income.
- IFRS 8 "Operating Segments" replaces IAS 14 "Segment Reporting": Pursuant to the new standard reporting on the financial performance of the segments has to be prepared according to the so-called management approach. Accordingly, the identification of the segments and the disclosures for these segments are based on the information which is used internally by management in evaluating segment performance and deciding how to allocate resources.

The following new or revised standards and interpretations which became mandatory in fiscal year 2009 did not have any or any significant impact on the consolidated financial statements of the company:

**Standards (IFRS) or Interpretations (IFRIC)**

IAS 23*	Borrowing Costs (1/1/2009)
IAS 32	Financial Instruments: Puttable Financial Instruments and Obligations Arising on Liquidation (1/1/2009)
IFRS 1*	Cost of Shares in Subsidiaries, Joint Ventures and Associates (1/1/2009)
IAS 27*	Share-Based Payment (1/1/2009)
IFRS 2*	Enhancing Disclosures about Fair Value and Liquidity Risk (1/1/2009)
IFRS 7*	Financial Instruments: Embedded Derivatives (1/1/2009)
IFRIC 9	
IAS 39	
IFRIC 13	Customer Loyalty Programs (7/1/2008)
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1/1/2009)
IAS 19	

\* Amendments

### New or Revised Standards and Interpretations not yet applied

The following standards, interpretations and amendments which are not yet mandatory as of December 31, 2009 or have even not been endorsed by the EU have not been applied. Unless otherwise stated, the Group does not assume that the application of these standards will have a significant impact on the presentation of the consolidated financial statements.

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

IFRS 3	Business Combinations (7/1/2009) and Consolidated and Separate
IAS 27	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)

### Use of Estimates

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 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.

### Explanations to the Balance Sheet

#### 3 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and bank balances. Cash and bank balances are stated at fair value

Restricted cash amounts to EUR 13,883 as of December 31, 2009 and 2008.

#### 4 Accounts Receivable

Net Accounts Receivable consist of the following:

	12/31/2009	12/31/2008
	EUR	EUR
Gross accounts receivable	1,147,145	1,172,271
Less: allowance for doubtful accounts	(206,205)	(183,977)
<b>Net Accounts Receivable</b>	<b>940,940</b>	<b>988,294</b>

The average credit period for the accounts receivable is 29 days compared to 26 days in 2008. All accounts receivable are due within one year.

There is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of relatively small customers. Trade receivables are rated at fair value.

Aging of past due but not impaired:

	12/31/2009	12/31/2008
	EUR	EUR
Overdue but not impaired receivables		
Between 0 and 60 days	728,635	751,450
Carrying amounts of impaired receivables		
Overdue between 61 and 90 days	89,915	150,971
Overdue more than 90 days	122,390	85,873
	212,305	236,844
<b>Net Accounts Receivable</b>	<b>940,940</b>	<b>988,294</b>

The allowance for doubtful accounts is the Group's best estimate of the amount of probable credit losses in the Group companies' existing accounts receivable. Accounts receivable past due less than 60 days are not provided for. Accounts receivable past due more than 60 days are provided for on a grading scale based on the age of the individual receivable with allowances between 10 % and 90 % of nominal value. The Group does not hold any collateral for accounts receivable balances. The movements in the allowance for doubtful accounts were as follows:

	Year ended	Year ended
	12/31/2009	12/31/2008
	EUR	EUR
Balance at the beginning of the year	183,977	110,147
Bad debt expense of the year	170,468	123,963
Amounts written off as uncollectible	(149,274)	(58,872)
Exchange differences	1,034	8,739
<b>Balance at the end of the year</b>	<b>206,205</b>	<b>183,977</b>

Receivables are denominated in the following currencies:

	12/31/2009	12/31/2008
	EUR	EUR
USD	793,183	671,640
EUR	248,284	363,541
GBP	105,678	137,090
<b>Gross Accounts Receivable</b>	<b>1,147,145</b>	<b>1,172,271</b>

## 5 Prepaids and other Current Assets

Other current assets consist primarily of VAT tax refund claims amounting to EUR 347,659 (2008: EUR 267,370) and of prepaid amounts for IT services.

## 6 Property and Equipment

Changes in property and equipment in the financial years 2009 and 2008 were as follows:

	Computer and Equipment	Furnitures and Fixtures	Leasehold Improvement	Total Costs
	EUR	EUR	EUR	EUR
<b>Cost</b>				
At December 31, 2007	297,047	194,525	64,089	555,661

Exchange differences	75,346	13,678	5,738	94,762
Additions	549,314	110,929	46,545	706,788
Disposals	[7,814]	0	0	[7,814]
At December 31, 2008	913,893	319,132	116,372	1,349,397
Exchange Differences	[38,386]	[34,232]	[3,279]	[75,897]
Additions	253,589	35,480	0	289,069
<b>At December 31, 2009</b>	<b>1,129,096</b>	<b>320,380</b>	<b>113,093</b>	<b>1,562,569</b>
<b>Depreciation</b>				
At December 31, 2007	168,894	32,359	17,260	218,513
Exchange differences	44,993	8,378	7,018	60,389
Charge for the year	119,533	26,934	22,561	169,028
Disposals	[7,812]	0	0	[7,812]
At December 31, 2008	325,608	67,671	46,839	440,118
Exchange differences	[36,509]	[19,335]	[6,501]	[62,345]
Charge for the year	270,520	41,916	29,197	341,633
<b>At December 31, 2009</b>	<b>559,619</b>	<b>90,252</b>	<b>69,535</b>	<b>719,406</b>
<b>Net Book Value</b>				
<b>At December 31, 2008</b>	<b>588,285</b>	<b>251,461</b>	<b>69,533</b>	<b>909,279</b>
<b>At December 31, 2009</b>	<b>569,477</b>	<b>230,128</b>	<b>43,558</b>	<b>843,163</b>

Computer and Equipment include servers used under the terms of a finance lease with a carrying amount of EUR 219,310 (12/31/2008: EUR 144,027).

## 7 Intangible Assets

Movements in intangible assets in the financial years 2009 and 2008 were as follows:

	Website		
	Development	Software	Total
	Costs	Costs	Costs
	EUR	EUR	EUR
<b>Cost</b>			
At December 31, 2007	1,324,393	323,065	1,647,458
Exchange rate differences	100,330	4,812	105,142
Additions	586,076	28,111	614,187
At December 31, 2008	2,010,799	355,988	2,366,787
Exchange rate differences	[56,549]	7,815	[48,734]
Additions	265,236	62,844	328,080
<b>At December 31, 2009</b>	<b>2,219,486</b>	<b>426,647</b>	<b>2,646,133</b>
<b>Amortization</b>			
At December 31, 2007	766,811	280,541	1,047,352
Exchange rate differences	55,014	7,226	62,240
Charge for the year	190,286	24,993	215,279
At December 31, 2008	1,012,111	312,760	1,324,871
Exchange rate differences	[29,699]	[2,396]	[32,095]
Charge for the year	311,909	39,263	351,172
<b>At December 31, 2009</b>	<b>1,294,321</b>	<b>349,627</b>	<b>1,643,948</b>
<b>Net Book Value</b>			
<b>At December 31, 2008</b>	<b>998,688</b>	<b>43,228</b>	<b>1,041,916</b>
<b>At December 31, 2009</b>	<b>925,165</b>	<b>77,020</b>	<b>1,002,185</b>

Website-development costs capitalized as intangible assets in 2009 relate to the new products *artnet Decorative Art Price Database* and *artnet Market Data*. The amortization period for website development costs is three years. The carrying amount of the capitalized costs (in total EUR 358,933) for the product *artnet Decorative Art Price Database* is EUR 259,230 (in 2008: work in progress amounting to EUR 278,867). The *artnet Decorative Art Price Database* went live in the first quarter of 2009.

As of December 31, 2009, website development costs include *artnet Market Data* which is not yet in operation. The capitalized costs for *artnet Market Data* amounted to EUR 469,580, compared to EUR 302,000 in 2008. The product is planned to be launched in 2010.

Internal costs (salaries) have been capitalized in the amount of EUR 93,696 (EUR 142,537 in 2008).

At the 2009 balance sheet date, the artnet Group reviewed the carrying amounts of the major intangible assets or their accompanying cash generating unit (artnet Price Database) by using a risk-free interest rate of 4.25 %, a market risk premium of 5 % and a beta factor of 1.2 to determine whether or not the values in use exceed the carrying amounts. The impairment test was based on a three-year budget and has not led to an impairment loss.

## 8 Taxes and Deferred Taxes

### Income Tax Expense/(Benefit)

Income tax expense/(benefit) consists of the following:

	2009	2008
	EUR	EUR
<b>Current Income Taxes</b>		
US federal and state corporation tax and subsidiary tax	74,140	51,208
Tax refund belonging to prior years	(123,435)	285,626
US dividend withholding tax	0	73,790
<b>Total Current Income Taxes</b>	<b>(49,295)</b>	<b>410,624</b>
<b>Deferred Taxes</b>		
Tax loss carryforwards	139,034	(7,522)
Temporary differences	(129,009)	12,478
	<b>10,025</b>	<b>4,956</b>
<b>Total Income Taxes</b>	<b>(39,270)</b>	<b>415,580</b>

Due to its tax loss carryforwards Artnet Corp. only has to pay the alternative minimum corporation tax. The tax refund results from a reimbursement of US dividend withholding tax for the years 2007 and 2008. Prior year income tax expense in the amount of EUR 285,626 and interest expense on outstanding tax liabilities (EUR 43,074) were a result of a tax audit in artnet AG for 2001 to 2004. artnet AG has objected against the tax assessment and a suspension has been granted. In fiscal year 2009 an additional interest expense in the amount of EUR 17,136 has been recorded.

### Deferred Tax Asset

At the balance sheet 12/31/2009 date Artnet Corp. has total tax loss carryforwards of EUR 21.5 million (USD 30.9 million) available for offset against future profits. As of 12/31/2008 these tax loss carryforwards amounted to EUR 22.7 million (USD 32.0 million). A deferred tax asset of EUR 681,462 (12/31/2008: EUR 830,146) is recognized in the financial statements for the existing tax loss carryforwards of Artnet Corp. The tax rate used is 43 % (2008: 43%) and represents the average income tax rate of Artnet Corp.



The subsidiary has generated positive, taxable earnings in the preceding fiscal years and has already utilized part of its tax loss carryforwards. The recognition of deferred tax assets on tax loss carryforwards is based on a three years budget. Tax loss carryforwards can be used over a period of 20 years, therefore tax loss carryforwards of Artnet Corp. will begin to expire in 2017 in the amount EUR 1.1 million (USD 1.6 million). The remaining unused tax loss carryforwards of Artnet Corp. will expire in subsequent years. artnet AG has in addition tax loss carryforwards in the total amount of EUR 28.7 million for corporate income tax as well as for trade tax (12/31/2008: EUR 28.2 million). Based on the German tax law these tax loss carryforwards cannot be utilized due to the organizational structure of artnet Group.

In total, deferred taxes recognized relate to the following balance sheet items:

	Deferred Tax Assets	Deferred Tax Assets
	12/31/2009	12/31/2008
	EUR	EUR
Tax loss carryforwards	681,462	830,146
Fixed assets	148,805	27,779
Accounts receivables	89,428	90,290
Accrued expenses and other liabilities	49,177	46,933
	<b>968,872</b>	<b>995,148</b>

#### Tax Rate Reconciliation

The following table reconciles the expected income tax expense/(income) to the income tax expense presented in the financial statements. The tax rate used of 43 % (2008: 43 %) is the average income tax rate of the operating Group company Artnet Corp., because Artnet Corp. generates the taxable income of the Group companies.

	2009	2008
	TEUR	TEUR
Loss or profit before income taxes	(506)	(75)
Expected income tax expense – Tax rate 43%	(218)	(32)
Non-deductible expenses and other effects	11	4
Income tax expense/(income) – prior years	(123)	286
Reduction of current tax expenses due to benefit arising from US tax loss carryforwards	(318)	(443)
Unused German tax loss carry-forwards and tax rate differences	609	601
<b>Income tax expense / (tax income) as presented on the consolidated statement of comprehensive income</b>	<b>(39)</b>	<b>416</b>

#### 9 Accounts Payable

Accounts payable is principally comprised of amounts outstanding for ongoing costs. The average credit period taken for accounts payable is 30 days. The carrying amount of accounts payable approximates their fair value.

The carrying amount of the Groups payables are denominated in the following currencies.

	12/31/2009	12/31/2008
	EUR	EUR
USD	121,621	362,877
GBP	4,859	0
EUR	79,383	132,454
<b>Total Accounts Payable</b>	<b>205,863</b>	<b>495,331</b>

The Group met its payment obligations for the new network during the first quarter of 2009, reducing its liabilities compared to prior year

#### 10 Accruals and Other Liabilities

Accruals and other liabilities consist of the following for the years presented:

	12/31/2009	12/31/2008
	EUR	EUR
Bonus and termination payments	422,185	473,150
Outstanding invoices	273,319	252,006
Accrued vacation	96,833	83,594
401(k) payable	58,689	69,544
Commission to sales consultants	56,859	52,216
Other	120,566	121,795
<b>Total</b>	<b>1,028,451</b>	<b>1,052,305</b>

#### 11 Liabilities from Finance Lease

In December 2008 as well as in August and September 2009, Artnet Corp. entered into three-year finance lease arrangements. At the end of each lease term, the Artnet Corp. has a purchase option. Liabilities from finance leasing are recognized at the present value of future lease payments by applying the implicit interest rate of the finance lease arrangement. The leased assets are servers and other computer equipment. The minimum lease payments are reconciled to the present value as follows:

12/31/2009	Total	< 1 Year	> 1–3 Years
Liability (in EUR)	218,271	95,872	122,399
Interest (in EUR)	20,876	9,624	11,252
<b>Total (in EUR)</b>	<b>239,147</b>	<b>105,496</b>	<b>133,651</b>

12/31/2008	Total	< 1 Year	> 1–3 Years
Liability (in EUR)	144,027	49,256	94,771
Interest (in EUR)	20,668	7,086	13,582
<b>Total (in EUR)</b>	<b>164,695</b>	<b>56,342</b>	<b>108,353</b>

Liabilities from finance lease are shown at fair value.

#### 12 Deferred Revenue

Customers pay before year end for certain contracts in advance of the service provided. The prepaid amounts are recognized as revenue when artnet provides the service.

#### 13 Share Capital

	12/31/2009	12/31/2008
Authorized ordinary shares at no-par value (calculated value EUR 1.00 per share)	5,631,067	5,631,067
Issued and fully paid ordinary shares at no-par value (calculated value EUR 1.00 per share)	5,552,986	5,552,986
Treasury shares at no-par value	78,081	78,081

artnet AG has one class of ordinary bearer shares which carry no right to fixed income.

### Authorized Capital

The authorized capital of EUR 2,800,000.00 created on July 6, 2004 (Authorized Capital 2004/I) expired during the fiscal year 2009. 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 2,800,000.00 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 2009 and 2008 no common shares were issued under the Authorized Capital 2004/I and 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.

### Conditional Capital

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 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).

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 December 31, 2009 and 2008 artnet AG held 78,081 of its own shares, representing 1.4 % of common stock.

## Explanations to the Income Statement

### 14 Personnel Expenses

The consolidated statement of comprehensive income includes the following personnel expenses for the financial years presented per expense category:

	2009	2008
Personnel Expenses per Cost Category	EUR	EUR
Cost of sales	2,680,713	2,305,968
Selling and marketing	1,512,204	1,846,811
General administrative	1,268,130	1,195,292
Product development	969,446	959,331
<b>Total Personnel Costs</b>	<b>6,430,493</b>	<b>6,307,402</b>

The total personnel costs include social security expenses of EUR 711,220 and EUR 561,484 and 401(k) expenses of EUR 62,010 and EUR 68,848 as of December 31, 2009 and 2008 respectively.

### 15 Share-Based Payments

#### Stock option plan

Conditional Capital 2009/I serves as the basis for the stock option plan also resolved by the Shareholders' Meeting on July 15, 2009 (2009 stock option plan), comprising

560,000 shares of common stock with a nominal value of EUR 1.00 each. Of this amount, up to 290,000 shares are available for the granting of options to employees of the Company and affiliated entities; up to 240,000 shares are available for the granting of rights to the members of management of entities affiliated with artnet AG and up to 30,000 shares are available for issue to the Board of Directors.

In the year under report, corporate management and employees of the subsidiary Artnet Corp. were granted options from the 2009 stock option plan, in return for which they forfeited all previously granted rights that had not expired by the grant date. All options that management and employees forfeited were already vested at the grant date of the new options.

The number of outstanding options changed in the year under report as follows:

	2009		2008	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
<b>Outstanding January 1</b>	<b>280,750</b>	<b>3.79</b>	<b>315,250</b>	<b>4.32</b>
Expired	(80,750)	7.16	(34,500)	8.63
Forfeited	(200,000)	2.41	0	—
Granted	193,907	4.66	0	—
<b>Outstanding December 31</b>	<b>193,907</b>	<b>4.66</b>	<b>280,750</b>	<b>3.79</b>
<b>Of which exercisable</b>	<b>0</b>	<b>—</b>	<b>250,750</b>	<b>3.52</b>

The options outstanding on December 31, 2009 had a weighted average remaining contract term of 9.9 years (December 31, 2008: 3.6 years). The exercise price for all options is EUR 4.66. At the prior-year reporting date, exercise prices varied between EUR 1.00 and EUR 11.20.

The fair value of the stock options was calculated for the grant date on the basis of the binomial model and the following assumptions:

	Options	
	Granted	Forfeited
<b>No.</b>	<b>193,907</b>	<b>200,000</b>
Share price on grant date (EUR)	5.02	5.02
Weighted average exercise price (EUR)	4.66	2.41
Weighted average performance target (share price in EUR)	5.13	2.65
Expected weighted average term of the options (years)	10.00	3.64
Risk free interest rate (%)	3.40	2.50
Expected average volatility (%)	70.00	70.00
Expected dividend yield (%)	0.00	0.00
Fair value of one option at grant or waiver date (EUR)	3.89	3.73
<b>Total fair value of options (EUR)</b>	<b>754,298</b>	<b>745,500</b>

Expected volatility was determined based on the historical volatility for the elapsed term of the forfeited options. The volatility of the share price return based on the weekly closing prices (XETRA) of artnet shares was taken as the basis for this calculation. The expected term of the options issued in 2009 corresponds to the contractual term of the options. The contractual remaining term was reported for the options to be forfeited.

The exercise price corresponds to the average stock exchange quotation of the artnet shares over the last ten bank working days preceding the grant date.

The options can be exercised for the first time at the end of two years beginning at midnight on the option allotment date and then up until the end of their term; they expire ten years after the grant date. Rights may not be exercised in the period from two weeks before the end of the quarter until the end of the first trading day after publication of the quarterly results and also not in the period from two weeks before the end of the fiscal year until the end of the first trading day after publication of the results for the past fiscal year.

The plan also sets out that rights may only be exercised if the closing market price determined before the date of the planned exercise of the option exceeds the exercise price by at least ten percent. If this performance target has been reached on one occasion, the options can be exercised during the exercise periods independently of the further performance of artnet's share price over their term.

EUR 14,145 were spent on share-based payment in the fiscal year 2009 and EUR 96,980 in 2008. The Company accounts for the granting of options in the year under report with simultaneous forfeiture by employees of their previous options as a "replacement". Over the two-year waiting period, the amount by which the fair value of the options granted exceeds the fair value of the options forfeited by employees is allocated as an expense.

#### 16 Defined Contribution Plans

The subsidiary Artnet Corp. has a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code of the USA for all qualifying employees. The assets of the plan are held separately from those of Artnet Corp. in funds under control of trustees. 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 the years ended December 31, 2009 and 2008, the matching contributions were EUR 62,010 and EUR 68,848, respectively.

#### 17 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:

	Year Ended 12/31/2009	Year Ended 12/31/2008
	EUR	EUR
<b>Numerator (Earnings):</b>		
Net result for the year retained for equity shareholders	(467,151)	(490,363)
<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	134,000
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,552,986	5,686,986

The weighted average exercise price (EUR 4,66) exceeds the average share price in 2009 (EUR 4,61). In consequence, there are no diluting shares.

## 18 Additional Disclosures to the Statement of Comprehensive Income

### Profit from Operations

Profit from Operations has been arrived at after charging:

	2009 EUR	2008 EUR
Depreciation and amortization	692,805	384,307
Staff costs (see note 14)	6,430,493	6,307,402

Amortization on intangible assets was booked in the amount of EUR 351,172 in 2009 and EUR 215,279 in 2008.

Depreciation and Amortization are presented in the consolidated statement of comprehensive income as part of cost of sales.

### Pre-tax income/loss

In 2009 the Group recognized income from exchange rate differences in the amount of EUR 30,692 (2008: Expense in the amount of EUR 216,652). It is included in Other Income/Expense. The income is offset by other non operating expense amounting to EUR 207,686 resulting from the write-off of the receivable due from related parties (see footnote 26 for further information).

### Other Disclosures

## 19 Capital Risk Management

The capital structure of the artnet Group consists of current liabilities and equity attributable to shareholders of the parent, mainly comprising issued capital, additional paid-in capital and accumulated deficit. Additionally, in December of 2008 and 2009, Artnet Corp. entered into various finance lease arrangements, which will require payments over the next three years. All other business activities are currently financed by the cash balance and the operating cash flows. artnet Group faces no significant risks from its capital structure.

## 20 Financial Instruments and Risks Arising from Financial Instruments

### Categories of Financial Instruments

The artnet Group's financial assets are cash and cash equivalents, accounts receivable and rent security deposits. These financial assets are classified to the category "loans and receivables".

The Group's financial liabilities are accounts payable, other liabilities and liabilities arising from finance lease. Accounts payable and other liabilities are measured at amortized cost. Liabilities arising from finance lease are measured with their present value in accordance with IAS 17.

No financial assets or financial liabilities were designated at fair value through profit or loss. In the business years 2009 and 2008 the artnet Group has not used any derivative financial instruments.

The following schedule summarizes the categorization of financial instruments with their carrying amounts and fair values:



	Book Value	Fair Value	Book Value	Fair Value
	12/31/2009	12/31/2009	12/31/2008	12/31/2008
	EUR	EUR	EUR	EUR
<b>Financial Assets</b>				
Cash and cash equivalents	2,190,931	2,190,931	2,925,240	2,925,240
Loans and receivables				
Accounts receivable	940,940	940,940	988,294	988,294
Receivables due from related parties	0	0	211,200	211,200
Rent security deposits	208,194	208,194	205,028	205,028
	<b>1,149,134</b>	<b>1,149,134</b>	<b>1,404,522</b>	<b>1,404,522</b>
	<b>3,340,065</b>	<b>3,340,065</b>	<b>4,329,762</b>	<b>4,329,762</b>
<b>Financial Liabilities</b>				
Liabilities at amortized costs				
Accounts payable	205,863	205,863	495,331	495,331
Other liabilities	689,883	689,883	664,073	664,073
	<b>895,746</b>	<b>895,746</b>	<b>1,159,404</b>	<b>1,159,404</b>
Finance lease obligation	218,271	218,271	144,027	144,027
	<b>1,114,017</b>	<b>1,114,017</b>	<b>1,303,431</b>	<b>1,303,431</b>

The carrying amounts of the financial assets and liabilities approximate their fair values.

The following schedule shows the net result arising from financial assets and liabilities:

	Net Result	Net Result
	2009	2008
	EUR	EUR
Financial assets	-335,945	-334,263
Financial liabilities	-7,398	-569
<b>Totals</b>	<b>-343,343</b>	<b>-334,832</b>

The components of the net result are interest income and expenses, gains or losses from exchange rate differences, as well as, bad debt expense for doubtful accounts and write-offs.

#### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The financial assets represent the art-net Group's maximum exposure to credit risk.

The Group's credit risk is primarily attributable to its accounts receivable. The amount presented in the balance sheet is net of allowances for doubtful accounts, estimated by management based on the aging of the receivable portfolio as well as customer payment trends.

The artnet Group has no significant concentration of credit risk, with exposure spread over its large number of customers.

#### Liquidity Risk and Interest Rate Risk

Group faces no material liquidity risk and interest rate risk. The Group companies several interest-bearing finance leases in the amount of EUR 218,271 (2008: EUR 144,027). The remaining current liabilities and accrued expenses have a remaining term of less than one year.

	Carrying Amount	Gross Cash Flow	Gross Cash Flow	Gross Cash Flow
12/31/2009		Total	< 1 Year	> 1 Year
Liabilities at amortized costs	895,746	895,746	895,746	0
Finance Lease Obligation	218,271	239,147	105,496	133,651

	Carrying Amount	Gross Cash Flow	Gross Cash Flow	Gross Cash Flow
12/31/2008		Total	< 1 Year	> 1 Year
Liabilities at amortized costs	1,159,404	1,159,404	1,159,404	0
Finance Lease Obligation	144,027	164,695	56,342	108,353

#### Market Risks—Foreign Currency Risk

Market risks are mainly relevant in the form of foreign currency exchange risks for the Group companies as most of the revenues are generated in US Dollars but a certain amount of the costs of the Group companies have to be paid in Euros. The artnet Group controls these currency exchange risks by invoicing its European customers in Euro and using these cash payments to fulfill its obligations in the foreign currency. Besides the US Dollar - Euro exchange rate risk the artnet Group is also exposed to the US Dollar - British Pound (GBP) exchange rate risk but on a smaller scale. The carrying amounts of the Group's monetary assets and monetary liabilities denominated in other currencies as the US Dollar at the reporting date are as follows:

Foreign Currency	Monetary Assets		Monetary Liabilities	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
	TEUR	TEUR	TEUR	TEUR
EUR	757	946	79	132
GBP	266	385	5	0

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 period end for a 10 % change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens or weakens 10 % against the other currency.

USD to	EUR	EUR	GBP	GBP
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
	TEUR	TEUR	TEUR	TEUR
<b>+ 10 %</b>				
Profit or loss	-27	-69	-22	-33
Equity	-35	-5	0	-1
<b>- 10 %</b>				
Profit or loss	33	84	27	41
Equity	43	6	0	1

#### 21 Employees

At December 31, 2009 there were 99 full time employees as compared with 104 in the previous year. Additionally, the Group employed 11 part-time employees in 2009 as compared to 18 in the previous year and 12 sales and other consultants as compared to 15 in 2008. The average monthly number of employees in 2009 was 105 compared to 99 in 2008.

## 22 Segment Reporting

With the implementation of IFRS 8 "Operating Segments" artnet Group reviewed its business units. 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* 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* 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.

EUR					
Period Ended Dezember 31, 2009	artnet Gallery Network	artnet Price Database	Advertising	artnet Auctions	Total
Revenue	5,153,123	4,713,053	1,537,308	815,018	12,218,502
Cost of revenue	1,700,763	1,655,325	270,826	990,846	4,617,760
Gross profit	3,452,360	3,057,728	1,266,482	(175,828)	7,600,742
<b>Other operating expenses</b>					
Selling and Marketing	1,332,854	725,620	378,485	535,778	2,972,737
Generat and Administrative	1,319,463	1,084,456	394,126	495,078	3,293,123
Product development	511,437	436,477	152,766	550,211	1,650,891
Non cash compensation	5,565	4,749	1,663	2,168	14,145
Total other operating expense	3,169,319	2,251,302	927,040	1,583,235	7,930,896
<b>Profit from operations</b>	<b>283,041</b>	<b>806,426</b>	<b>339,442</b>	<b>(1,759,063)</b>	<b>(330,154)</b>
Interest expense/Interest income and other income/expense	(69,349)	(59,185)	(20,714)	(27,019)	(176,267)
<b>Profit before tax</b>	<b>213,692</b>	<b>747,241</b>	<b>318,728</b>	<b>(1,786,082)</b>	<b>(506,421)</b>

EUR					
Period Ended Dezember 31, 2008	artnet Gallery Network	artnet Price Database	Advertising	artnet Auctions	Total
Revenue	5,271,120	4,830,393	1,947,131	254,712	12,303,356
Cost of revenue	1,370,139	1,582,215	524,556	776,817	4,253,727
Gross profit	3,900,981	3,248,178	1,422,575	(522,105)	8,049,629
<b>Other operating expenses</b>					
Selling and Marketing	1,301,951	757,459	513,680	371,077	2,944,167
Generat and Administrative	1,145,577	1,181,687	445,502	236,337	3,009,103

Productdevelopment	685,011	751,108	266,393	150,222	1,852,734
Non cash compensation	35,857	39,316	13,944	7,863	96,980
Total other operating expense	3,168,396	2,729,570	1,239,519	765,499	7,902,984
<b>Profit from operations</b>	<b>732,585</b>	<b>518,608</b>	<b>183,056</b>	<b>(1,287,604)</b>	<b>146,645</b>
Interest Expense/Interest income and other income/expense	(81,868)	(89,768)	(31,838)	(17,954)	(221,428)
<b>Profit before tax</b>	<b>650,717</b>	<b>428,840</b>	<b>151,218</b>	<b>(1,305,558)</b>	<b>(74,783)</b>

The reportable segments contain primarily the following non-cash transactions:

EUR					
Year Ended Dezember 31, 2009	artnet Gallery Network	artnet Price Database	Advertising	artnet Auctions	Total
Depreciation and amortization	272,549	232,644	81,405	106,207	692,805
Provision for and write-offs of doubtful debts	148,766	126,984	44,433	57,972	378,155

EUR					
Year Ended Dezember 31, 2008	artnet Gallery Network	artnet Price Database	Advertising	artnet Auctions	Total
Depreciation and amortization	142,078	155,798	55,263	31,168	384,307
Provision for and write-offs of doubtful debts	45,829	50,255	17,826	10,053	123,963

#### Revenue by Geographical Area

The Group's operations are primarily located in the USA represented by the subsidiary Artnet Corp.

The following table provides an analysis of the Group's revenue by geographical market:

	2009	2008
Revenue	EUR	EUR
United States	7,016,713	6,789,978
Europe	4,308,548	4,477,858
Rest of World	893,241	1,035,520
<b>Total</b>	<b>12,218,502</b>	<b>12,303,356</b>

#### Assets by Geographical Area

The following is an analysis of the carrying amount of the assets of the Group, and additions to property, plant and equipment and intangible assets, analyzed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to fixed assets	
	12/31/2009	12/31/2008	2009	2008
	Consolidated	Consolidated	Consolidated	Consolidated
	EUR	EUR	EUR	EUR
USA	5,915,649	7,232,039	549,555	1,172,123
Germany	496,014	240,115	66,930	124,930
UK	18,819	13,680	0	0
France	143,495	145,650	664	23,922
<b>Total</b>	<b>6,573,977</b>	<b>7,631,484</b>	<b>617,149</b>	<b>1,320,975</b>

The segment results and liabilities of the Group are not allocated by geographical area, as this is not possible in a meaningful way.

The depreciation and amortization expenses of the Group companies apply to fixed assets in the USA in the amount of EUR 633,074 (2008: EUR 348,828), France in the amount of EUR 5,682 (2008: EUR 1,834) and to fixed assets in Germany in the amount of EUR 54,049 (2008: EUR 33,645).

### 23 Operating Lease Arrangements and Other Commitments

Artnet Corp. leases its New York office facilities under non-cancelable operating lease terms that continue up to March 31, 2012. Beginning January 1, 2009 Artnet Corp. subleased parts of its office facilities to a subtenant through March 31, 2012. artnet AG leases its Berlin office under a non-cancelable operating lease continuing through November 30, 2013. Starting on June 15, 2008 artnet France leases its Paris office under an operate lease with a minimum term of three years. For the offices in Berlin and Paris the Group has the option to prolong the lease term by up to 6 years. artnet UK leases its London office under an operate lease which is cancelable at short notice. Future minimum rental payments required as of December 31, 2009 and 2008 are as follows:

	2009	2008
	EUR	EUR
<b>Lease Payments</b>		
Less than one year	431,387	510,712
Between two and five years	551,296	950,456
	<b>982,683</b>	<b>1,461,168</b>
<b>Proceeds from Sublease</b>		
Less than one year	60,740	56,158
Between two and five years	78,470	132,281
	<b>139,210</b>	<b>188,439</b>
	<b>843,473</b>	<b>1,272,729</b>

Rent expenses for the Group offset by proceeds from the sublease amounted to EUR 535,066 and EUR 510,958 for the years ended December 31, 2009 and 2008, respectively. Proceeds from the sublease amounted to EUR 51,497 in 2009.

### 24 Cash Flow Statement

Group operating Cash flow was EUR (180,000) as of December 31, 2009 as compared to EUR 437,000 as of December 31, 2008. Besides the net loss, the negative operating cash flow is mainly the result of a decrease in accounts payable and deferred revenue. The Group paid in 2009 its payment obligations related to the new network infrastructure which was bought in 2008. Deferred revenue declined due to a decrease in the amount of annual contracts sold as compared to prior year.

Group investing cash flow was EUR (470,000) as of December 31, 2009 as compared to EUR (1,207,000) as of December 31, 2008. The Group invested in the artnet Price Database Decorative Art product during the first quarter of 2009 and has continued to invest in artnet Market Data Product which is planned to launch during 2010. Additionally, hardware and software related to the network infrastructure were purchased during 2009 as well. To some extent, the equipment was purchased through finance leases. The cash flow for financing activities was EUR (68,000) as of December 31, 2009 and represented payments towards finance leases which were entered into during 2008 and 2009.

## 25 Fees of Statutory Auditor

Auditor's fees for the audit of the statutory financial statements of the Company and the consolidated financial statements amounted to EUR 48,200 and EUR 45,000 in 2009 and 2008, respectively. In addition, the Company recorded EUR 12,600 and EUR 5,200 for tax advisory services by the auditor and EUR 22,200 and EUR 36,500 for other services. All fees are recognized as expenses in 2009 and 2008, respectively.

## 26 Related Party Transactions

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

### Executive Board

Hans Neuendorf is CEO of artnet AG and a director of Artnet Corp.

In the fiscal years 2009 and 2008, Mr. Neuendorf received the following remuneration from artnet AG:

	2009	2008
	EUR	EUR
Fixed salary	330,000	302,500
Value of additional benefits (car usage)	8,248	8,172
<b>Fixed remuneration components</b>	<b>338,248</b>	<b>310,672</b>
Bonus (variable compensation)	190,000	272,250
<b>Total</b>	<b>528,248</b>	<b>582,922</b>

Mr. Neuendorf or companies controlled by him own 1,461,635 shares of artnet AG.

In financial year 2009, Galerie Neuendorf AG, a related party of Mr. Hans Neuendorf, paid seller's commission of EUR 990 (2008: EUR 1,948) for the use of *artnet Auctions* services.

In financial year 2009, Mrs. Caroline Neuendorf, a related party of Mr. Hans Neuendorf, received commission of EUR 800 (2008: EUR 1,600) for procuring artists for the *artnet Artist Works Catalogues*.

In financial year 2001, Artnet Corp. entered into a USD 3 million Split-Dollar Life Insurance policy for the benefit of a related party of Mr. Neuendorf (Mrs. Caroline Neuendorf). The monthly insurance premiums of USD 4,221 were paid by Artnet Corp. and reported at their present value as a non-current loan receivable due from related parties (Mrs. Caroline Neuendorf) (total as of December 31, 2008: EUR 211,200). In December 2009, Artnet Corp. cancelled the contractual foundations associated with the policy. No more premiums were paid in the whole of financial year 2009. Due to the decrease in interest rates, it was no longer possible to continue the insurance policy on an economical worthwhile basis. Since a repayment of the loan receivable recognized in the past is no longer likely given the conditions in place, the loan receivable was derecognized in full. The expense (EUR 207,687) is presented under other income/expense in the statement of comprehensive income.

### Supervisory Board

John D. Hushon, Naples (FL), Chairman

Dr. Christian Dohm, Munich, Vice Chairman

Hannes von Goessel, Berlin (new member as of April 21, 2009)

Klaus-Jochen Schaeffer, Hamburg (retired member as of April 8, 2009)

The Supervisory Board members' remuneration in the fiscal years 2009 and 2008 amounted as follows:



	2009	2008
	EUR	EUR
John D. Hushon	33,750	33,750
Dr. Christian Dohm	25,313	25,313
Hannes von Goesseln	12,656	0
Klaus-Jochen Schaeffer	4,219	16,875
	<b>75,938</b>	<b>75,938</b>

Mr. Hushon holds 49,054 shares of artnet AG and Mr. von Goesseln holds 2,000 shares of artnet AG.

#### Other Related Party Transactions

A related person to Mr. Neuendorf works for Artnet Corp. The salary is EUR 169,182 and EUR 162,562 as of December 31, 2009 and 2008.

## 27 Accounting Estimates and Judgments

The preparation of the Group's consolidated financial statements requires management estimates and assumptions that affect reported amounts and related disclosures. All estimates and assumptions are made to the best of management's knowledge and belief in order to fairly present the Group's financial position and results of operations. Especially the following accounting policies are significantly impacted by management's estimates and judgments.

#### Deferred Income Taxes

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of the management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The amount of deferred tax assets could be reduced if projected future taxable profits are lowered. See Note 8 for further information on potential tax benefits for which no deferred tax asset is recognized.

#### Capitalized Costs of Website Development

Capitalized website development costs relate to new products which the Company anticipates will produce revenue in the future. These costs include consulting fees and salaries. The revenue projections for these new products are based on management's best estimates but actual results could vary from projections.

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

Mr. Oliver Schmidt, Düsseldorf, has informed us within the meaning of Section 21 (1) of the WpHG on October 9, 2009, that his voting rights in our company fell below the 3% threshold on October 7, 2009 and that on this date he held 2.99% of the total voting rights.

Mr. Oliver Schmidt, Düsseldorf, has informed us within the meaning of Section 21 (1) of the WpHG on August 4, 2009, that his voting rights in our company fell below the 5% threshold on July 31, 2009, and that on this date he held 4.59% of the total voting rights.

Mr. Oliver Schmidt, Düsseldorf, has informed us that the proportion of his voting rights in our company exceeded the 5% voting right limit on February 15, 2008, in accordance with § 21, para. 1 of the Securities Trading Act, and now amounts to 5.03%. Artis Technology 2X Ltd., headquartered in San Francisco, USA, has informed us that the proportion of its voting rights in our company exceeded the 5% voting right limit on March 1, 2007, in accordance with § 21, para. 1 of the Securities Trading Act, and

now amounts to 5.03%.

Artis Capital Management, LLC, headquartered in San Francisco, USA, has informed us that the proportion of its voting rights in our company exceeded the 10% voting right limit on May 23, 2006 in accordance with § 21, para. 1 of the Securities Trading Act, and now amounts to 10.39%.

The overall voting rights of 10.39% should therefore be assigned in accordance with § 22, para. 1, sentence 1, no. 6 of the Securities Trading Act.

Furthermore, Artis Capital Management, Inc., headquartered in San Francisco, USA, has informed us that the proportion of its voting rights in our company exceeded the 10% voting right limit on May 23, 2006 in accordance with § 21, para. 1 of the Securities Trading Act, and now amounts to 10.39%.

The overall voting rights of 10.39% should therefore be assigned in accordance with § 22, para. 1, sentence 1, no. 6 of the Securities Trading Act and § 22, para. 1, sentence 2 of the Securities Trading Act.

### 29 Report on Post-Balance Sheet Events

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

### 30 Declaration of Conformity with the German Corporate Governance Code in Accordance with Art. 161 of the German Stock Corporation Act

On December 5, 2009, the Executive Board and the Supervisory Board of artnet AG issued the declaration of conformity with the recommendations of the German Corporate Governance Code as amended on June 18, 2009, in accordance with Art. 161 of the Stock Corporation Act (AktG). The declaration is posted on the website of the Company.

Berlin, April 27, 2010

A handwritten signature in black ink, appearing to read 'Neuendorf', is written over a light gray rectangular background.

Chief Executive Officer  
Hans Neuendorf

### Translation of Independent Auditor's Report

We have issued the following unqualified auditor's report on the amended consolidated financial statements as of December 31, 2009 attached as annexes (Annexes I to V) and on the group management report for financial year 2009 (Annex VI) of artnet AG, Berlin:

We have audited the consolidated financial statements prepared by artnet AG, Berlin, comprising the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and amended notes, together with the group management report for the financial year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the amended consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

We have issued this report based on our duty-bound audit concluded on March 24, 2010 and on our supplementary audit of the additional disclosures on related party transactions in No. 26 of the notes to the consolidated financial statements. Please refer to the reasons for the amendments by the company in the amended notes to the consolidated financial statements, No. 1 "Corporate Information and Statement of Compliance". The supplementary audit has not led to any reservations.

We would like to point out that our audit report dated March 24, 2010 may only be used in conjunction with this supplementary audit report.

The use of the auditor's report reproduced above outside of this supplementary audit report requires our prior consent. The publication or distribution of the amended consolidated annual financial statements and/or the group management report in a form deviating from this version (including translation into other languages) also requires our prior consent if our auditor's report is quoted or reference is made to our audit; we refer in particular to § 328 HGB.

Hamburg, March 24, 2010 and April 28, 2010

Ebner Stolz Mönning Bachem GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Götze	ppa. Wendland
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Certified Public Auditor)	(German Certified Public Auditor)

## Management

### Hans Neuendorf

Chief Executive Officer, artnet AG

Hans Neuendorf is recognized as one of the world's most successful art dealers. Early on, he promoted international artists as a gallerist, championing such major artists as Andy Warhol, David Hockney, Richard Hamilton or Lucio Fontana. He was an art market pioneer in his role as one of the early founders of *Art Cologne*, the first international art fair, in 1967. Neuendorf's experiences have shaped artnet since he joined the company in 1990. He became its chairman in 1992, before he took over the position of CEO in 1995.

### Bill Fine

President, Artnet Worldwide Corp.

Bill Fine has more than 20 years of experience in highend art marketing and print advertising. Before he came to artnet, he held the position of Executive Vice President and Group Publisher at Brant Publications, Inc. (*The Magazine Antiques*, *Art in America*, *Interview*) and was publisher of the magazines *Interior Design* and *Connoisseur*.

### Brian McConville

Executive Vice President, Artnet Worldwide Corp.

Brian McConville heads artnet's global sales team. He joined artnet in 2003 following a ten-year career on Wall Street. There, one of his duties was to lead the fixed-interested stocks in the commercial section of the National Australia Bank in New York. artnet also profited from McConville's executive experience in the technology branch, for example as the Chief Financial Officer (CFO) of Group Intelligence, Inc.

### Sarah Bradley

Vice President of Marketing and Public Relations, Artnet Worldwide Corp

Before joining Artnet Worldwide Corp., Sarah Bradley had already over fifteen years of fine art and luxury marketing experience at major global brands including Christie's, American Express and Lancôme. In her current position at artnet, she oversees marketing and public relations initiatives. Sarah holds a B. A. in Art History from Tufts University and a Certificate in Modern & Contemporary Art from Christie's Education in London.

### Victoria Fuller

Vice President Business Development, Artnet Worldwide Corp

Victoria Fuller heads the development of national advertising across the industries which include luxury watches, jewelry, fashion, retail, financial, media, automotive and travel. Prior to joining artnet.com Victoria worked for 18 years in high-end marketing and print advertising. She managed advertising and marketing departments at magazines such as *Men's Vogue*, *Women's Health* and *Interview*.

Karen Gardner

Vice President Finance and Controller, Artnet Worldwide Corp.

Karen Gardner is a senior level finance executive with more than 11 years' experience managing financial operations for multinational Internet advertising and "Big 4" public accounting firms. She has successfully managed process reengineering and integration initiatives, finance and administration for companies going through rapid expansion, revitalization and turnaround.

Gerrit Gohlke

Executive Director, artnet AG, Editor in Chief, *artnet Magazine*, Berlin

Gerrit Gohlke knows the art world not only from his perspective of an art critic, but also from closely collaborating with artists, exhibition houses, and galleries. In his capacity as publisher, editor and author of numerous books and catalogues, the trained art and literary academic has become familiar with the artist studio as a place for production. He joined artnet in 2007. In 2008 Gohlke became Editor in Chief of the German magazine and in 2009 Executive Director of artnet AG.

Gina Kehayoff

Directrice Générale, artnet France SARL

Gina Kehayoff brings publishing experience into establishing and expanding the new French artnet site. The scholar of art history, American studies and Eastern European studies not only has extensive curatorial experience and cooperated with artists like Roland Topor, Bettina Rheims or Christian Boltanski. She also was active as an independent publisher, focusing on photography, contemporary art and Judaica, from 1992 until she took over the position of *Directrice Générale* at artnet France SARL.

Amy King

Vice President artnet Price Database, Artnet Worldwide Corp.

Amy King heads the artnet Price Database sales and production team, using the arthistorical expertise she gained through classical training in the auctions business. She joined artnet after working for four years as a specialist in 19<sup>th</sup> century European art at Sotheby's. She is a certified art appraiser.

Sonja Neuber

Vice President Content Management, artnet AG

In her capacity as philologist, Sonja Neuber has taught at international universities. Drawing from this background she joined Google's department of AdWords and specialized in optimizing campaigns. She was then head of search engine marketing with a Berlin online media agency where she was responsible for the key accounts from various industries. Since joining artnet with her linguistic as well as her online expertise she has been managing the website's content and has been in charge of search engine optimization



**Jacob Pabst**

Vice President Technology and Product Development, Artnet Worldwide Corp.

Jacob Pabst is a trained macroeconomist. As early as during his studies at the Free University Berlin, he worked on individual projects in product development at artnet. In 2002, he joined Artnet Worldwide Corp., where he has been responsible for developing and introducing new products since 2005. In this capacity he was crucial in guiding the company's shift from an information service provider to a transactions platform.

**Walter Robinson**

Editor in Chief, *artnet Magazine*, New York

In establishing *artnet Magazine*, Walter Robinson was a pioneer for artnet as well as for online art journalism. With 20 years of journalistic experience, including roles as a writer and news editor at *Art In America* and as art editor of *East Village Eye*, Robinson made American artnet into a platform with arthistorical expertise and courage for critical opinion. He is also an acclaimed painter with an international exhibition biography.



#### **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

#### **Published by**

artnet AG

Oranienstraße 164

10969 Berlin

Editors

Gerrit Gohlke

Dr. Astrid Mania

Concept, Design and Prepress

Büro Fleischmann

Prof. Gerd Fleischmann

Editorial Office

Renate Bothe

Tina Kesting

Dr. Astrid Mania

Picture Research

Isaac Bigsby Trogon

Translations

Foris AG

Mich Cohen

© 2010 artnet AG, Berlin



Ilya und Emilia Kabakov  
auf dem *sofa orange* bei artnet.fr  
am 16. März 2010

**artnet.com/auctions** A service for galleries and collectors