

# 2008

NINE MONTHS REPORT 2008    THIRD QUARTER

**artnet** ag

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# artnet AG

## Interim Group Management Report for the Nine Months Report 2008

artnet AG is a holding company whose shares are listed 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 ("the Company") and Artnet Worldwide Corp. ("Artnet Corp.", collectively, "the artnet Group" or "Group") operate under the trade name "artnet."

### 1. Business Development

artnet continued its revenue growth during the first nine months in 2008. Revenue grew by 23% from \$10,984,000 to \$13,476,000 but in Euro terms the growth was only 8%. Revenue for the Company is primarily invoiced in US Dollars. The income statement conversion from US Dollars to Euros is based on an average for the entire reporting period. Even though September experienced a decrease in the Euro to US Dollar ratio, the overall average for the year remained 12% higher than in 2007. Therefore our revenue growth in Euros continued to be negatively impacted by the year to date decline in the US Dollar.

As discussed in previous management reports we expect earnings will decline in 2008 as a result of major investments in new products and services. Costs related to the online auctions amounted to \$536,000 and the launch of artnet.fr magazine amounted to \$181,000. Additionally, the company incurred additional costs related to technical upgrades and security for the website increased approximately \$176,000. Depreciation increased \$155,000 due to new product launches in 2007 and additional equipment purchases for the Company's infrastructure.

Product Development costs increased \$907,000 (EUR 499,000) due to increased new hires and additional consultants that were added to the information technology team. These increases in staffing will allow products to come to market in a faster more efficient manner.

Earnings before taxes accordingly declined to \$688,000 (EUR 452,000) from \$2,168,000 (EUR 1,613,000). Earnings after taxes were affected by an increase in our deferred tax asset in the amount of \$1,350,000 (EUR 888,000) and therefore were \$2,033,000 (EUR 1,337,000) from \$2,206,000 (EUR 1,641,000) as of September 30, 2007.

The Group changed accounting for its deferred tax asset and re-allocated costs related to Online Auctions, networking, insurance and benefits for the purpose of better classifying expenses into the correct categories. Please refer to the Notes for more detailed information.

Earnings per share diluted were \$0.36 (EUR 0.23) at the end of the third quarter of 2008 as compared to \$0.38 (EUR 0.29) in the same period a year ago.

#### Currency Translation

Currency translation in the consolidated income statement is based on the average exchange rate for the period ending September 30, 2008 and 2007, respectively. For 2008, the average rate was .658 EUR/USD compared to .744 EUR/USD in 2007. This represented a 12% change in the average currency rate. Currency translation for the balance sheet is based on the exchange rate at the end of the period. As of September 30, 2008, the rate was .692 EUR/USD compared to .679 at December 31, 2007, thus representing an exchange differential of 2%.

artnet is subject to exchange rate fluctuations as 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 collecting payments from European customers in Euros or local currency and paying vendors throughout Europe with these cash funds in the same currency.

#### Financial Position

artnet's operating cash flow was EUR 553,000 (696,000 in US Dollars) as of September 30, 2008 compared to EUR 1,804,000 (2,508,000 in US Dollars) in the prior year. The Group's operating cash flow remained positive despite heavy investment and expenditures in the Online Auctions division, the new French magazine and technology. The cash flow from investing activities was EUR 847,000 (1,286,000 in US Dollars) as of September 30, 2008 compared to EUR 610,000 (822,000 in US Dollars) in the prior year. The increase is primarily the result of equipment and software purchases related to increased technology requirements as well as capitalized development costs related to the Online Auctions and other products. The cash balance in Euros decreased from EUR 3,628,000 as of December 31, 2007 to EUR 3,328,000 at September 30, 2008. This is primarily the result of the currency exchange difference as well as capital investments into new products such as the Online Auctions. The cash investment policy for the Group is conservative and based on short term investments. This allows all cash to be liquid and available. Based on the average outstanding shares of 5,552,986, liquidity per share amounted to EUR .60 (.87 in US Dollars) as of September 30, 2008 compared to .65 (.96 in US Dollars) on December 31, 2007.

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The artnet Group currently finances all projects through its ongoing cash flow from operations. The Group companies hold no commitments from banks as of September 30, 2008.

#### Asset Position

The balance sheet total amounted to EUR 8,484,000 (12,255,000 in US Dollars) on September 30, 2008 compared to EUR 6,917,000 (10,181,000 in US Dollars) on December 31, 2007.

Trade accounts receivables increased from EUR 741,000 (1,091,000 in US Dollars) to EUR 954,000 (1,379,000 in US Dollars) due to the continued growth in sales.

Total current liabilities increased by EUR 143,000 from EUR 2,518,000 (\$3,707,000) to EUR 2,661,000 (\$3,844,000). The primary component of total current liabilities is deferred revenue. Deferred revenue represents customers' payments for sales contracts in advance of the service provided. These prepaid amounts are recognized as revenue as the service is generally provided over a period of one year.

artnet Group's consolidated equity was EUR 5,822,000 (8,410,000 in US Dollars) on September 30, 2008 as compared to EUR 4,399,000 (6,474,000 in US Dollars) as of December 31, 2007.

artnet's Price Database is an intangible asset that has been built through the process of gathering auction information over the last ten years. This is a substantial asset to the Group, however, it may not be recognized on the balance sheet as an intangible asset due to the accounting rules. If it was recognized as an intangible asset on the balance sheet it would significantly increase the assets.

#### Employees

As of September 30, 2008 there were 101 full time employees as compared to 70 in the prior year period. Additionally, the Group employed 14 part-time employees and interns as compared to 11 as of September 30, 2007 and 19 sales and other consultants as compared to 14 in the same period of 2007. The increase was primarily the result of new hires related to Online Auctions, marketing and website development.

#### artnet Employee Stock Option Plan

The employees of artnet held 278,250 stock options as of September 30, 2008, of which 238,250 were exercisable. Of these 278,250 stock options, the management of artnet Worldwide Corp. held 166,000 as of September 30, 2008, of which 161,000 were exercisable.

#### artnet Treasury Stock

artnet held 78,081 treasury shares of stock representing 1.4 % of the common stock as of September 30, 2008 and December 31, 2007.

#### Risks of the Future Development

The Company holds the view that the risk structure has not changed since December 31, 2007.

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## 2. General Information and Business Activities

artnet AG is a holding company listed on the Geregelter Market 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 ("the Company") and artnet Worldwide Corp. ("artnet Corp.", collectively, "the artnet Group or Group") operate under the trade name "artnet."

### artnet Positioning

artnet offers an overview of art for sale in international galleries and auction houses and aids in making informed decisions by providing information about artists, their galleries, the value of their works, the history of their prices, exhibitions, reviews and daily news.

(1) The "**galleries**" network is comprised of over 2,200 dealers and auctioneers and approximately 150,000 works of art in inventory. We are the world's largest market overview commanding on average over 1.7 million unique visitors per month. Dealers routinely sell art work advertised on the network, and, just as significantly, they are able to post a "wanted to buy" to acquire work from other dealers and private collectors. The Gallery Network has the largest network of galleries currently on the web. Our expansion includes China and Russia, where the art market growth has exceeded the overall average. We have also made significant achievements in attracting more galleries specializing in decorative arts and 20th—21st Century design.

(2) With approximately 3.8 million auction records, artnet's **Price Database** is widely subscribed by appraisers, dealers, auctioneers, financiers, and private and government (including the IRS and FBI) institutions. 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. In addition, dealers and auctioneers use artnet "comps" (comparables sales from artnet's Price Database) to sell important works of art. Sotheby's has recognized the prominence and utility of the Price Database, partnering exclusively with artnet to post database comparables on the Sotheby's website for sales throughout the United States and Europe.

The Price Database is the only illustrated database covering international auctions since 1985. artnet's database is the only service that employs a professional arts educated staff to edit each lot and "tag" multiple variables in order to provide a sophisticated search screen. The user-friendly database allows customers to save their search results and to view the entire catalogue entry, with Provenance and Literature information, on a single screen.

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### 3. Subsequent Events

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

### 4. Outlook

The global economy has taken a downturn in recent months due to the instability in the United States financial markets. The art market, however, has not yet felt the effect of this downturn and has continued to grow despite the turning economy. It is difficult to assess whether the growth in the art market will continue through the end of the year.

We believe our new product, Online Auctions which was launched in the first quarter of this year will be an even more beneficial resource for art dealers if the art market begins to slow. The Online Auctions offer a competitive advantage over conventional auctions: turnaround of only 6 weeks compared to 6 months, lower commission structure and much more information about the artwork and the artist to aid in making informed buying decisions. This will allow dealers to sell excess inventory at a lower rate than traditional auction houses. Additionally, we have continued to drive the development of this product with existing cash resources only. Through the first nine months of the year the Online Auctions has created revenue of approximately \$245,000 on over 2.0 million US Dollars in auction sales. Our successful results from expanded national brand advertising and increased sales from the European and Asian sector have continued to aid our growth in both Advertising and Gallery Network revenues.

In sum, we are optimistic regarding our sales results for 2008. We have continued to invest in our new product offerings and the enhancement of the website which we believe will continue to cause our net profit to decrease in 2008, however, we believe these efforts will cause a rebound in net profit in 2009.

Berlin, October 24, 2008



The CEO  
Hans Neuendorf

# artnet AG Consolidated Balance Sheet

As of September 30, 2008 and December 31, 2007

	30.09.2008	31.12.2007	30.09.2008	31.12.2007
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EUR	EUR
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	4.806.971	5.340.539	3.327.866	3.628.453
Accounts Receivable-net	1.378.643	1.090.829	954.435	741.128
Prepays and other Current Assets	600.806	485.041	415.938	329.545
<b>Total Current Assets</b>	<b>6.786.420</b>	<b>6.916.409</b>	<b>4.698.239</b>	<b>4.699.126</b>
<b>NONCURRENT ASSETS</b>				
Property and Equipment	728.845	496.231	504.579	337.148
Intangible Assets	1.511.153	883.266	1.046.171	600.106
Security Deposit	159.413	174.787	110.362	118.753
Due from related parties	309.016	300.249	213.932	203.994
Deferred Tax Asset	2.759.815	1.409.858	1.910.620	957.882
<b>Total Noncurrent Assets</b>	<b>5.468.242</b>	<b>3.264.391</b>	<b>3.785.664</b>	<b>2.217.883</b>
<b>TOTAL ASSETS</b>	<b>12.254.662</b>	<b>10.180.800</b>	<b>8.483.903</b>	<b>6.917.009</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	477.132	587.384	330.318	399.079
Accrued Expenses	1.032.560	1.068.159	714.841	725.725
Provisions	146.129	146.129	101.165	99.283
Deferred Revenue	2.188.541	1.904.918	1.515.127	1.294.234
<b>TOTAL LIABILITIES</b>	<b>3.844.362</b>	<b>3.706.590</b>	<b>2.661.451</b>	<b>2.518.321</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common Stock	5.941.512	5.941.512	5.631.067	5.631.067
Treasury Stock	(269.241)	(269.241)	(264.425)	(264.425)
Additional paid-in capital	51.634.913	51.533.888	50.410.828	50.344.380
Dividend Payment	-	-	-	-
Accumulated Deficit	(50.663.418)	(53.752.141)	(50.709.610)	(52.962.508)
Current Net Profit	2.033.008	3.088.723	1.337.191	2.252.898
Foreign Currency Translation Adjustment	(266.474)	(68.531)	(582.599)	(602.724)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8.410.300</b>	<b>6.474.210</b>	<b>5.822.452</b>	<b>4.398.688</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12.254.662</b>	<b>10.180.800</b>	<b>8.483.903</b>	<b>6.917.009</b>

# artnet AG Consolidated Income Statement

For the Nine months ended September 30, 2008 and 2007 and  
for the third quarter ended September 30, 2008 and 2007

	For the Nine Months Ended September 30, 2008 and 2007				For the Three Months Ended September 30, 2008 and 2007			
	30.09.2008	30.09.2007	30.09.2008	30.09.2007	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EUR	EUR	USD	USD	EUR	EUR
<b>Revenue</b>								
Online Gallery Network	5.740.555	4.484.260	3.775.793	3.336.289	2.015.487	1.599.893	1.325.666	1.190.320
Price Database	4.941.042	4.294.272	3.249.921	3.194.938	1.684.705	1.482.320	1.108.098	1.102.846
Advertising	2.167.164	1.844.035	1.425.430	1.371.962	595.275	630.826	391.536	469.335
Other Products	383.108	361.156	251.985	268.700	132.753	123.724	87.317	92.051
Online Auctions	244.619	–	160.896	–	124.853	–	82.121	–
<b>Total Revenue</b>	<b>13.476.488</b>	<b>10.983.723</b>	<b>8.864.025</b>	<b>8.171.889</b>	<b>4.553.073</b>	<b>3.836.763</b>	<b>2.994.738</b>	<b>2.854.552</b>
<b>Cost of Net Revenues</b>	<b>5.251.930</b>	<b>3.700.018</b>	<b>3.454.404</b>	<b>2.752.660</b>	<b>1.777.856</b>	<b>1.143.840</b>	<b>1.169.367</b>	<b>851.014</b>
<b>Gross Profit</b>	<b>8.224.558</b>	<b>7.283.705</b>	<b>5.409.621</b>	<b>5.419.229</b>	<b>2.775.217</b>	<b>2.692.923</b>	<b>1.825.371</b>	<b>2.003.538</b>
<b>Other Operating Expenses</b>								
Selling and Marketing	2.469.177	1.841.658	1.624.076	1.370.189	873.473	730.708	574.518	543.645
General and Administrative	2.930.998	2.044.870	1.927.835	1.521.544	1.056.445	1.073.854	694.866	798.953
Product Development	2.035.724	1.128.601	1.338.977	839.677	735.677	478.759	483.884	356.196
Non-cash Compensation	101.025	100.690	66.448	74.913	10.094	38.973	6.639	28.996
<b>Total other Operating Expenses</b>	<b>7.536.924</b>	<b>5.115.819</b>	<b>4.957.336</b>	<b>3.806.323</b>	<b>2.675.689</b>	<b>2.322.294</b>	<b>1.759.907</b>	<b>1.727.790</b>
<b>Profit from Operations</b>	<b>687.634</b>	<b>2.167.886</b>	<b>452.285</b>	<b>1.612.906</b>	<b>99.528</b>	<b>370.629</b>	<b>65.464</b>	<b>275.748</b>
Interest Expense	–	(8.208)	–	(6.107)	–	(8.318)	–	(6.189)
Interest Income	60.886	105.911	40.047	78.798	15.441	43.073	10.156	32.046
Other Income/Expense	7.140	25.150	4.696	18.712	(25.745)	8.450	(16.934)	6.287
<b>Profit Prior to Tax Provision</b>	<b>755.660</b>	<b>2.290.739</b>	<b>497.028</b>	<b>1.704.309</b>	<b>89.224</b>	<b>413.834</b>	<b>58.686</b>	<b>307.892</b>
Income Taxes	1.277.348	(85.075)	840.163	(63.296)	652.875	(45.400)	429.422	(33.778)
<b>Net Profit</b>	<b>2.033.008</b>	<b>2.205.664</b>	<b>1.337.191</b>	<b>1.641.013</b>	<b>742.099</b>	<b>368.434</b>	<b>488.108</b>	<b>274.114</b>
<b>Earnings Per Share</b>								
Net Profit per Basic Share	0,37	0,40	0,24	0,30	0,13	0,07	0,09	0,05
Net Profit per Diluted Share	0,36	0,38	0,23	0,29	0,13	0,06	0,09	0,05
<b>Weighted Average Shares</b>								
Basic	5.552.986	5.552.986	5.552.986	5.552.986	5.552.986	5.552.986	5.552.986	5.552.986
Diluted	5.694.986	5.736.986	5.694.986	5.736.986	5.694.986	5.736.986	5.694.986	5.736.986

## artnet AG Statement of Changes in Shareholders' Equity (USD)

For the Nine Months Ended September 30, 2008 and 2007

	Common Stock							Total
	Shares Issued	Additional Paid-in Amount	Treasury Capital	Accumulated Stock	Currency Deficit	Translation		
<b>BALANCE – December 31, 2006</b>	5.631.067	5.941.512	51.392.016	(269.241)	(53.752.141)	(103.719)	3.208.427	
Net Profit					2.205.664		2.205.664	
Foreign Currency Translation						10.244	10.244	
Non-cash Compensation			100.690				100.690	
<b>BALANCE – September 30, 2007</b>	5.631.067	5.941.512	51.492.706	(269.241)	(51.546.477)	(93.475)	5.525.025	
<b>BALANCE – December 31, 2007</b>	5.631.067	5.941.512	51.533.888	(269.241)	(50.663.418)	(68.531)	6.474.210	
Net Profit					2.033.008		2.033.008	
Foreign Currency Translation						(197.943)	(197.943)	
Non-cash Compensation			101.025				101.025	
<b>BALANCE – September 30, 2008</b>	5.631.067	5.941.512	51.634.913	(269.241)	(48.630.410)	(266.474)	8.410.300	

## artnet AG Statement of Changes in Shareholders' Equity (Eur)

For the Nine Months Ended September 30, 2008 and 2007

	Common Stock							Total
	Shares Issued	Additional Paid-in Amount	Treasury Capital	Accumulated Stock	Currency Deficit	Translation		
<b>BALANCE – December 31, 2006</b>	5.631.067	5.631.067	50.240.899	(264.425)	(52.962.508)	(213.045)	2.431.988	
Net Profit					1.641.013		1.641.013	
Foreign Currency Translation						(241.722)	(241.722)	
Non-cash Compensation			74.913				74.913	
<b>BALANCE – September 30, 2007</b>	5.631.067	5.631.067	50.315.812	(264.425)	(51.321.495)	(454.767)	3.906.192	
<b>BALANCE – December 31, 2007</b>	5.631.067	5.631.067	50.344.380	(264.425)	(50.709.610)	(602.724)	4.398.688	
Net Profit					1.337.191		1.337.191	
Foreign Currency Translation						20.125	20.125	
Non-cash Compensation			66.448				66.448	
<b>BALANCE – September 30, 2008</b>	5.631.067	5.631.067	50.410.828	(264.425)	(49.372.419)	(582.599)	5.822.452	

# artnet AG Consolidated Cash Flow Statement

For the Nine Months Ended September 30, 2008 and 2007

	Nine Months Ended 30.09.2008	Nine Months Ended 30.09.2007	Nine Months Ended 30.09.2008	Nine Months Ended 30.09.2007
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EUR	EUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Profit	2.033.008	2.205.664	1.337.191	1.641.013
<b>Adjustments to reconcile net profit to net cash provided by (used in) operating activities:</b>				
Depreciation and amortization	402.746	247.814	264.902	184.374
Provision for doubtful accounts	80.376	93.028	52.867	69.213
Deferred income taxes	(1.349.957)	–	(934.575)	–
Non-cash compensation	101.025	100.690	66.448	74.913
Income tax payments	–	(104.974)	–	(79.570)
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(368.190)	(475.414)	(242.173)	(353.708)
Prepaid and other current assets	(115.765)	(386.520)	(76.143)	(256.746)
Security deposits	15.374	(29.905)	10.110	(13.829)
Accounts payable	(110.252)	(121.494)	(72.517)	(94.937)
Provisions	–	30.967	–	15.897
Accrued expenses and tax liabilities	(35.599)	359.799	(23.415)	267.690
Change in foreign currency translation adjustment	(240.574)	615	(26.112)	7.873
Deferred Revenue	283.623	587.538	196.355	341.563
<b>TOTAL ADJUSTMENTS</b>	<b>(1.337.193)</b>	<b>302.144</b>	<b>(784.253)</b>	<b>162.733</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>695.815</b>	<b>2.507.808</b>	<b>552.938</b>	<b>1.803.746</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(412.383)	(308.514)	(271.241)	(229.534)
Purchase and development of intangible assets	(850.864)	(475.822)	(559.647)	(354.012)
Receivables from related parties	(23.061)	(37.988)	(15.965)	(26.858)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1.286.308)</b>	<b>(822.324)</b>	<b>(846.853)</b>	<b>(610.404)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Loan Payments to Shareholders	–	(33.843)	–	(25.653)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>–</b>	<b>(33.843)</b>	<b>–</b>	<b>(25.653)</b>
Effects of exchange rate changes on cash	56.925	9.629	(6.672)	(156.965)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(533.568)</b>	<b>1.661.270</b>	<b>(300.587)</b>	<b>1.010.724</b>
<b>CASH – Beginning</b>	<b>5.340.539</b>	<b>3.211.637</b>	<b>3.628.453</b>	<b>2.434.421</b>
<b>CASH – Ending</b>	<b>4.806.971</b>	<b>4.872.907</b>	<b>3.327.866</b>	<b>3.445.145</b>

# Notes

## for the Nine Months Report 2008 Consolidated Interim Financial Statements

### Corporate Information

artnet AG (hereinafter referred to as “artnet AG” or “the Company”) is a publicly traded corporation headquartered in Berlin, Germany. The address of its registered office is Mauerstraße 83/84, 10117 Berlin. artnet AG was incorporated under the laws of Germany in 1998.

artnet AG has one wholly owned subsidiary, Artnet Worldwide Corporation, (“Artnet Corp”) which is located in New York, USA. Together artnet AG and Artnet Corp. are referred to as the Group or 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.

The interim consolidated financial statements were authorized for issuance by the CEO on October 24, 2008.

### Basis of Presentation

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

The same accounting and valuation methods have been applied to these interim reports as to the most recent annual financial statements with the exception of the items below. A detailed description of the accounting policies is published in the notes to the annual consolidated financial statements of our annual report 2007. The Management of the Company is satisfied that the consolidated interim financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for the interim period. Results of the periods ended September 30, 2008, are not necessarily indicative for future results.

The interim financial statements as of September 30, 2008 and the interim management report have not been audited in accordance with § 317 of the German Commercial Code or reviewed by an auditor.

The consolidated financial statements have been prepared on a historical cost basis. The balance sheet date is September 30, 2008.

#### Reporting Period

The accounts represented in this report are for the time frame January 1 through September 30, 2008 and 2007, respectively. The income statement also includes comparative information for the 3rd quarter from July 1 to September 30, 2008 and 2007, respectively.

#### Foreign Currency Translation and Transactions

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

The currency of the primary economic environment in which the artnet Group operates is US Dollar, which is the functional currency of the operating subsidiary Artnet Worldwide. For convenience purposes, especially of our US-investors, the consolidated interim financial statements are also presented in US Dollar.

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 retranslated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recognized as other income.

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 consolidated 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 nine months presented:

	USD to EUR		USD to GBP	
	9/30/2008	9/30/2007	9/30/2008	9/30/2007
Current rate period end	.692	.707	.550	.489
Average rate for the period	.658	.744	.514	.503

### Basis of Consolidation

The consolidated financial statements include the legal parent company, artnet AG, and its wholly owned subsidiary Artnet Corp. 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 Worldwide Corporation 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 1st, 2007, Artnet Corp. created artnet UK Limited which is a wholly owned subsidiary of Artnet Corp. artnet UK Limited will act as a sales agent for Artnet Corp. in the United Kingdom.

On July 3rd, 2008, Artnet Corp. created artnet France SARL which is a wholly owned subsidiary of Artnet Corp. artnet France SARL will act as a sales agent for Artnet Corp. in France.

All significant inter-company transactions, balances, income and expenses were eliminated in consolidation.

### Changes in Presentation of the Income Statement and Accounting for Deferred Tax

The Group re-classed cost items in the consolidated income statement from the General and Administrative cost category to other cost categories to reflect more accurately the character of those cost items and allow an improved analysis of the income statement. The prior year presentation has been reclassified to conform to that of the current year. Costs related to network maintenance, Online Auctions, insurance, benefits and rental costs were reclassified in the amount of EUR 1,224,000 from General and Administrative costs to the Cost of Net Revenues category for the prior year. Furthermore costs related to insurance, benefits and rental costs were reclassified for the prior year from General and Administrative costs in the amount of EUR 171,000 to the Selling and Marketing expenses category and in the amount of EUR 157,000 to the Product Development costs category.

Based on a recommendation of the German Financial Reporting Enforcement Panel (FREP) artnet changed its accounting policy in respect to the recognition of deferred tax assets on the tax loss carryforwards. The calculation is now based on a three years budget instead of a one year time frame. The step up will be recognized in 2008 in three tranches starting in the 2nd quarter with an amount of approximately EUR 441.000 per quarter.

### Changes in Shareholders' Equity

The movements in the consolidated shareholders' equity are shown in the statement of changes in the shareholders' equity section of the consolidated interim financial statements.

### Treasury Shares

As of September 30, 2008 and 2007 artnet AG held 78,081 of its own shares, representing 1.4 % of common stock.

### Income Taxes

Income tax expense is recognized in the interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Due to its tax loss carryforward, Artnet Corp. only has to pay the alternative minimum corporation tax.

### Revenue by Geographical Area

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

	Period ended 9/30/2008	Period ended 9/30/2007
<b>Revenue</b>	<b>EUR</b>	<b>EUR</b>
United States	4,940,313	4,976,679
Europe	3,251,389	2,705,526
Rest of World	672,323	489,684
<b>Total</b>	<b>8,864,025</b>	<b>8,171,889</b>

### Segment Reporting

Due to its relatively small size, the artnet Group is not organized in different operating divisions. All products share a common platform and use the Group's resources on a common basis. Therefore, no segmentation in operating segments is provided.

### Earnings per Share

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

Diluted earnings per share are calculated in the same manner as basic earnings per share with the exception that the average number of shares outstanding increases by adding the potential number of shares from stock option conversions. The calculation of earnings per share is based on the following data:

	Period ended 9/30/2008	Period ended 9/30/2007
	<b>EUR</b>	<b>EUR</b>
<b>Numerator (Earnings):</b>		
Net profit retained for equity shareholders	1.337.192	1,641,103
<b>Denominator (Number of shares):</b>		
Weighted average number of ordinary shares used to calculate basic earnings per share	5,552,986	5,552,986
Effect of potential shares: Stock options	142,000	184,000
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,694,986	5,736,986

### Employees

As of September 30, 2008 there were 101 full time employees as compared to 70 in the same period a year ago. Additionally, the Group employed 14 part-time employees and interns as compared to 11 as of September 30, 2007 and 19 sales and other consultants as compared to 14 in the third quarter of 2007.

### Accounting Estimates and Judgments

The preparation of the Group's consolidated interim 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 interim financial position and results of operations. Actual results may differ from these estimates.

### Notifications in accordance with § 21 of the German Securities Trading Act

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 German Securities Trading Act (Wertpapierhandelsgesetz), and now amounts to 5.03%.

### Report on Post-balance Sheet Events

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

Berlin, October 24, 2008



Chief Executive Officer  
Hans Neuendorf