

2008

SIX MONTHS REPORT 2008 SECOND QUARTER

artnet ag

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artnet AG

Interim Group Management Report for the Six Month 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 six months in 2008. Revenue grew by 25% from \$ 7.1 million to \$ 8.9 million, but in Euro terms the growth was only 8%. In this quarter as well as in the past three years the decline of the US Dollar has had a negative impact on artnet's growth in Euros. The Euro has reached \$1.60 and predictions for the future are that the trend upward may continue.

As discussed in previous management reports earnings will decline in 2008 as a result of major investments in new products and services. Costs related to the online auctions amounted to \$356,000 (EUR 233,000) and Product Development costs increased \$650,000 (EUR 361,000). Additionally, costs related to technical upgrades and security for the website increased approximately \$197,000 (EUR 129,000). Earnings before taxes accordingly declined to \$666,000 (EUR 436,000) from \$1,877,000 (EUR 1,413,000). Earnings after taxes were affected by an increase in our deferred tax asset and therefore were \$1,291,000 (Euro 844,000) from \$1,837,000 (Euro 1,383,000) in the first half of 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 were EUR .15 (\$.23) at the end of the first half of 2008 as compared to EUR .025 (\$.33) 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 June 30, 2008 and 2007, respectively. For 2008, the average rate was .654 euros/dollar compared to .753 euros/dollar in 2007. This represented a 13% 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 June 30, 2008, the rate was .633 euros/dollar compared to .679 at December 31, 2007, thus representing an exchange differential of 7%.

artnet is subject to exchange rate fluctuations as it invoices in Euros, 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 331,000 (509,000 in US Dollars) as of June 30, 2008 compared to EUR 1,274,000 (1,705,000 in US Dollars) in the prior year. The Group's operating cash flow remained positive despite heavy investment and initial expenditures in the Online Auctions division and technology. The cash flow from investing activities was EUR 570,000 (872,000 in US Dollars) as of June 30, 2008 compared to EUR 488,000 (649,000 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 Euro decreased from EUR 3.6 million as of December 31, 2007 to EUR 3.2 million at June 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. Accordingly, the cash is invested nightly in an overnight sweep account which is re-deposited every morning. 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 .57 (.90 in US Dollars) as of June 30, 2008 compared to .65 (.96 in US Dollars) on December 31, 2007.

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

Asset position

The balance sheet total amounted to EUR 7,438,000 (11,743,000 in US Dollars) on June 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 991,000 (1,564,000 in US Dollars) due to the continued growth in sales.

The level of total current liabilities remained consistent at EUR 2.5 million as of

June 30, 2007 and 2008. In US Dollars, total current liabilities increased by \$169,000 from \$3.7 million to \$3.9 million. 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 5.0 million (7.9 million in US Dollars) on June 30, 2008 as compared to EUR 4.4 million (6.5 million 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 were recognized as an intangible asset on the balance sheet, it would significantly increase the assets.

Employees

As of June 30, 2008 there were 99 full time employees as compared to 68 in the prior year's first half. Additionally, the Group employed 13 part-time employees and interns as compared to 14 as of June 30, 2007 and 17 sales and other consultants as compared to 15 in the first half 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 315,250 stock options as of June 30, 2008, of which 252,750 were exercisable. Of these 315,250 stock options the management of Artnet Worldwide Corp. held 166,000 as of June 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 June 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.

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 2,100 dealers and auctioneers and approximately 150,000 works of art in inventory. We are the world’s largest market overview commanding on average over 1.8 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 3.7 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.

3. Subsequent Events

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.

4. Outlook

The global economy has continued to advance during the first half of 2008 despite concerns for the United States financial markets. The art market growth has also expanded with strong performances in the May auctions of both Christies and Sotheby's. We believe this growth will continue to benefit our Group.

During the first quarter of 2008 we launched our new product, Online Auctions. 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. It is the Group's intent to improve its' margin on this product by introducing a buyer's premium which is expected to positively impact revenue going forward. The commission structure will still remain significantly below that of conventional auction houses. Note: we have driven the whole development of this product with existing cash resources only. In the first few months of operation, the Online Auctions has created revenue of approximately \$120,000 on over one million 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 plan to achieve 25% growth in US Dollars each year over the next two years. We have continued to invest in our new product offerings and the enhancement of the website. We believe these investments may cause our profit to decrease in 2008 but rebound in 2009.

Berlin, July 25, 2008



The CEO
Hans Neuendorf

artnet AG Consolidated Balance Sheet

As of June 30, 2008 and December 31, 2007

	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EURO	EURO
CURRENT ASSETS				
Cash and cash equivalents	5.022.799	5.340.539	3.181.441	3.628.453
Accounts receivable-net	1.564.254	1.090.829	990.798	741.128
Prepays and other current assets	616.742	485.041	390.644	329.545
Total current assets	7.203.795	6.916.409	4.562.883	4.699.126
NONCURRENT ASSETS				
Property and Equipment	706.155	496.231	447.279	337.148
Intangible assets	1.266.787	883.266	802.383	600.106
Security deposit	170.479	174.787	107.981	118.753
Due from related parties	311.281	300.249	197.165	203.994
Deferred tax asset	2.084.836	1.409.858	1.320.535	957.882
Total noncurrent assets	4.539.538	3.264.391	2.875.343	2.217.883
TOTAL ASSETS	11.743.333	10.180.800	7.438.226	6.917.009
LIABILITIES AND SHAREHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	517.880	587.384	328.025	399.079
Accrued expenses	882.984	1.068.159	559.282	725.725
Provisions	146.129	146.129	92.558	99.283
Deferred revenue	2.329.198	1.904.918	1.475.314	1.294.234
TOTAL LIABILITIES	3.876.191	3.706.590	2.455.179	2.518.321
SHAREHOLDERS' EQUITY				
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	51.624.819	51.533.888	50.403.856	50.344.380
Accumulated deficit	(50.663.418)	(53.752.141)	(50.709.610)	(52.962.508)
Current net profit	1.290.909	3.088.723	844.357	2.252.898
Foreign currency translation adjustment	(57.439)	(68.531)	(922.198)	(602.724)
TOTAL SHAREHOLDERS' EQUITY	7.867.142	6.474.210	4.983.047	4.398.688
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11.743.333	10.180.800	7.438.226	6.917.009

artnet AG Consolidated Income Statement

For the Six Months Ended June 30, 2008 and 2007 and for the Three Months Ended June 30, 2008 and 2007

	For the Six Months Ended June 30, 2008 and 2007				For the Three Months Ended June 30, 2008 and 2007			
	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	Consolidated USD	Consolidated USD	Consolidated EURO	Consolidated EURO	Consolidated USD	Consolidated USD	Consolidated EURO	Consolidated EURO
Revenue								
Online Gallery Network	3.725.068	2.884.367	2.436.492	2.171.063	1.933.866	1.511.488	1.264.903	1.137.697
Price Database	3.256.337	2.811.952	2.129.905	2.116.556	1.673.670	1.461.334	1.094.714	1.099.946
Advertising	1.571.889	1.213.209	1.028.141	913.182	875.065	769.611	572.363	579.286
Other Products	250.355	237.432	163.752	178.715	121.334	123.324	79.362	92.826
Online Auctions	119.766	–	78.337	–	94.103	–	61.551	–
Total revenue	8.923.415	7.146.960	5.836.627	5.379.516	4.698.038	3.865.757	3.072.893	2.909.755
Cost of Net Revenues	3.474.074	2.083.418	2.272.322	1.568.189	1.876.346	1.134.903	1.227.280	858.679
Gross profit	5.449.341	5.063.542	3.564.305	3.811.327	2.821.692	2.730.854	1.845.613	2.051.076
Other operating expenses								
Selling and Marketing	1.595.704	1.110.950	1.043.718	836.213	881.261	572.496	576.415	431.263
General and Administrative	1.874.553	1.443.776	1.226.108	1.086.730	997.987	795.670	652.763	593.779
Product Development	1.300.047	649.842	850.335	489.136	786.795	366.756	514.627	276.396
Non-cash Compensation	90.931	61.717	59.476	46.454	50.904	37.926	33.295	28.547
Total other operating expenses	4.861.235	3.266.285	3.179.637	2.458.533	2.716.947	1.772.848	1.777.100	1.329.985
Profit from operations	588.106	1.797.257	384.668	1.352.794	104.745	958.006	68.513	721.091
Interest Income	45.445	62.948	29.725	47.381	14.493	34.141	9.479	25.698
Other Income	32.885	16.700	21.509	12.570	11.408	11.937	7.462	8.985
Profit Prior to tax provision	666.436	1.876.905	435.902	1.412.745	130.646	1.004.084	85.454	755.774
Income taxes	624.473	(39.675)	408.455	(29.863)	652.875	(19.135)	427.032	(1.746)
Net Profit	1.290.909	1.837.230	844.357	1.382.882	783.521	984.949	512.486	754.028
Earnings Per Share								
Net Profit per basic share	0,23	0,33	0,15	0,25	0,14	0,18	0,09	0,14
Net Profit per diluted share	0,23	0,32	0,15	0,24	0,14	0,17	0,09	0,13
Weighted Average Shares								
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	5.708.986	5.727.986	5.708.986	5.727.986	5.708.986	5.727.986	5.708.986	5.727.986

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

For the Six Months Ended June 30, 2008 and 2007

	Common Stock						Total
	Shares Issued	Additional Paid-in Amount	Treasury Capital	Foreign Accumulated Stock	Currency Deficit	Translation	
BALANCE – December 31, 2006	5.631.067	5.941.512	51.392.016	(269.241)	(53.752.141)	(103.719)	3.208.427
Net Profit					1.837.230		1.837.230
Foreign Currency Translation						34.829	34.829
Non-cash Compensation			61.717				61.717
BALANCE – June 30, 2007	5.631.067	5.941.512	51.453.733	(269.241)	(51.914.911)	(68.890)	5.142.203
BALANCE – December 31, 2007	5.631.067	5.941.512	51.533.888	(269.241)	(50.663.418)	(68.531)	6.474.210
Net Profit					1.290.909		1.290.909
Foreign Currency Translation						11.092	11.092
Non-cash Compensation			90.931				90.931
BALANCE – June 30, 2008	5.631.067	5.941.512	51.624.819	(269.241)	(49.372.509)	(57.439)	7.867.142

artnet AG Statement of Changes in Shareholder's Equity (Euro)

For the Six Months Ended June 30, 2008 and 2007

	Common Stock						Total
	Shares Issued	Additional Paid-in Amount	Treasury Capital	Foreign Accumulated Stock	Currency Deficit	Translation	
BALANCE – December 31, 2006	5.631.067	5.631.067	50.240.899	(264.425)	(52.962.508)	(213.045)	2.431.988
Net Profit					1.382.882		1.382.882
Foreign Currency Translation						(40.668)	(40.668)
Non-cash Compensation			46.454				46.454
BALANCE – June 30, 2007	5.631.067	5.631.067	50.287.353	(264.425)	(51.579.626)	(253.713)	3.820.656
BALANCE – December 31, 2007	5.631.067	5.631.067	50.344.380	(264.425)	(50.709.610)	(602.724)	4.398.688
Net Profit					844.357		844.357
Foreign Currency Translation						(319.474)	(319.474)
Non-cash Compensation			59.476				59.476
BALANCE – June 30, 2008	5.631.067	5.631.067	50.403.856	(264.425)	(49.865.253)	(922.198)	4.983.047

artnet AG Consolidated Cash Flow Statement

For the Six Months Ended June 30, 2008 and 2007

	Six Months Ended 30.06.2008	Six Months Ended 30.06.2007	Six Months Ended 30.06.2008	Six Months Ended 30.06.2007
	Consolidated USD	Consolidated USD	Consolidated EURO	Consolidated EURO
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit	1.290.909	1.837.230	844.357	1.382.882
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Depreciation and amortization	252.893	144.169	165.412	108.516
Provision for doubtful accounts	25.102	61.419	16.419	46.230
Deferred income taxes	(674.978)	–	(427.531)	–
Non-cash compensation	90.931	61.717	59.476	46.454
Income tax payments	–	(104.974)	–	(79.570)
Changes in operating assets and liabilities:				
Accounts receivable	(498.527)	(626.612)	(326.077)	(471.651)
Prepaid and other current assets	(131.701)	(211.855)	(86.143)	(152.548)
Security deposits	4.308	(29.711)	2.816	(19.924)
Accounts payable	(69.504)	(11.114)	(45.461)	(10.917)
Provisions	–	–	–	(976)
Accrued expenses and tax liabilities	(185.175)	(1.638)	(121.119)	(1.233)
Change in foreign currency translation adjustment	(19.406)	32.134	(19.984)	36.016
Deferred Revenue	424.280	554.694	268.742	390.424
TOTAL ADJUSTMENTS	(781.777)	(131.771)	(513.450)	(109.179)
NET CASH PROVIDED BY OPERATING ACTIVITIES	509.132	1.705.459	330.907	1.273.703
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(325.463)	(230.628)	(212.879)	(173.594)
Purchase and development of intangible assets	(520.875)	(392.608)	(340.694)	(295.516)
Receivables from related parties	(25.326)	(25.326)	(16.041)	(18.817)
NET CASH USED IN INVESTING ACTIVITIES	(871.664)	(648.562)	(569.614)	(487.927)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan Payments to Shareholders	–	(33.843)	–	(25.653)
NET CASH USED IN FINANCING ACTIVITIES	–	(33.843)	–	(25.653)
Effects of exchange rate changes on cash	44.792	2.695	(208.305)	(46.166)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(317.740)	1.025.749	(447.012)	713.957
CASH – Beginning	5.340.539	3.211.637	3.628.453	2.434.421
CASH – Ending	5.022.799	4.237.386	3.181.441	3.148.378

Notes

for the Six Month 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 July 25, 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 issues pointed out 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 June 30, 2008, are not necessarily indicative for future results.

The interim financial statements as of June 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 June 30, 2008.

Reporting Period

The accounts represented in this report are for the time frame January 1 through June 30, 2008 and 2007, respectively. The income statement also includes comparative information for the 2nd quarter from April 1 to June 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 six months presented:

	USD to EUR		USD to GBP	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Current rate period end	.633	.743	.501	.499
Average rate for the period	.654	.753	.506	.508

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 Corporation 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.

All significant inter-company transactions, balances, income and expenses are 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 612,000 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 73,000 to the Selling and Marketing expenses category and in the amount of EUR 50,000 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 EUR 441.000.

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 June 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 6/30/2008	Period ended 6/30/2007
Revenue	EURO	EURO
United States	3,190,642	3,440,783
Europe	2,219,243	1,683,011
Rest of World	426,742	255,722
Total	5,836,627	5,379,516

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 6/30/2008	Period ended 6/30/2007
	EURO	EURO
Numerator (Earnings):		
Net profit retained for equity shareholders	844.357	1,382,882
Denominator (Number of shares):		
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	156,000	175,000
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,708,986	5,727,986

Employees

As of June 30, 2008 there were 99 full time employees as compared to 68 in the same period a year ago. Additionally, the Group employed 13 part-time employees and interns as compared to 14 as of June 30, 2007 and 17 sales and other consultants as compared to 15 in the second quarter of 2007.

Accounting estimates and judgments

The preparation of the Group's consolidated interim financial statements equires 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 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 Securities Trading Act, and now amounts to 5.03%.

Report on post-balance sheet events

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.

artnet – Responsibility Statement 2008

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the artnet group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the artnet group for the remaining months of the financial year.”

Berlin, July 25, 2008



Chief Executive Officer
Hans Neuendorf