

# 2008

THREE MONTHS REPORT 2008 FIRST QUARTER

**artnet** ag

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# artnet AG

## Interim Group Management Report for the First Quarter 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 did very well again in the first quarter of 2008. Revenue grew by 29% from \$ 3.3million to \$ 4.2 million but in Euro terms the growth was only 13%. 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. Today (April 23rd 2008) the Euro for the first time reached \$ 1.60 and one reads in the press that the trend may continue for a few more cents but that it will then reverse and the Euro will go down to \$ 1.50. I hope that events will prove that opinion to be correct!

As discussed in previous management reports earnings will decline in 2008 as a result of major investments in new products and services. Cost increases and capital investments for new products amounted to EUR 119,000 (\$ 178,000) and EUR 288,000 (\$ 432,000), respectively in the first quarter and technical upgrades as well as service improvements further added to costs intermittently. Earnings accordingly declined to \$ 507,000 (Euro 339,000) from \$ 852,000 (Euro 651,000) in the first quarter of 2007.

Earnings per share were EUR .06 (\$ .09) at the end of the first quarter 2008 as compared to EUR .11 (\$ .15) 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 March 31, 2008 and 2007, respectively. For 2008, the average rate was .668 euros/dollar compared to .764 euros/dollar 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 March 31, 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 379,000 (575,000 in US Dollars) as of March 31, 2008 compared to EUR 278,000 (368,000 in US Dollars) in the prior year quarter. The Group's operating cash flow remained positive despite heavy investment in the Online Auctions division and technology. The cash flow from investing activities was EUR 296,000 (444,000 in US Dollars) as of March 31, 2008 compared to EUR 120,000 (158,000 in US Dollars) in the prior year quarter. The increase is primarily the result of equipment and software purchases related to increased technology requirements as well as capitalized internal and external development costs related to the Online Auctions and other products. The cash flows used for financing activities in 2007 represented loan repayments made to shareholders. The outstanding amount of the loan was paid in full during the first quarter of 2007.

The cash balance in Euro decreased from EUR 3.6 million as of December 31, 2007 to EUR 3.5 million at March 31, 2008. This is primarily the result of the currency exchange difference as most cash holdings are in US Dollars. The cash in US Dollars increased from \$ 5.3 million to \$ 5.5 million. 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 .63 (.99 in US Dollars) as of March 31, 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 March 31, 2008.

### Asset position

The balance sheet total amounted to EUR 6,917,000 (10,928,000 in US Dollars) on March 31, 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 819,000 (1,295,000 in US Dollars) due to the increase in sales.

The level of total current liabilities remained consistent at EUR 2.5 million as of March 31, 2007 and 2008. In US Dollars, total current liabilities increased by \$188,000 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 4.5 million (7.0 million in US Dollars) on March 31, 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.

The Group re-allocated costs related to Online Auctions, networking, insurance and benefits for the purpose of better classifying expenses into the correct categories. The Group also began to capitalize internal salaries as part of the cost of product developments during the first quarter of 2008. Please the Consolidated Notes for more detailed information.

#### Employees

As of March 31, 2008; there were 93 full time employees as compared to 55 in the prior year's first quarter. Additionally, the Group employed 17 part-time employees and interns as compared to 14 as of March 31, 2007 and 17 sales and other consultants as compared to 14 in the first quarter 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 March 31, 2008, of which 237,750 were exercisable. Of these 315,250 stock options the management of Artnet Worldwide Corp. held 166,000 as of March 31, 2008, of which 156,000 were exercisable.

#### artnet Treasury Stock

artnet held 78,081 treasury shares of stock representing 1.4 % of the common stock as of March 31, 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 2,000 dealers and auctioneers and over 140,000 works of art in inventory. We are the world's largest market overview commanding over 2.1 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 3.6 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.

### 4. Outlook

The global economy has continued to grow during the first quarter of 2008 despite concerns for the United States financial markets. The art market growth has expanded during the first three months of the year and we believe this growth will continue to be beneficial to 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, commissions of only 10% compared to 30% on average and much more information about the artwork and the artist to aid in making informed buying decisions. Note: we have driven the whole development of this product with existing cash resources only.

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, April 25, 2008



The CEO  
Hans Neuendorf

# artnet AG Consolidated Balance Sheet

As of March 31, 2008 and December 31, 2007

	31.03.2008	31.12.2007	31.03.2008	31.12.2007
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EURO	EURO
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	5.484.128	5.340.539	3.470.967	3.628.453
Accounts receivable-net	1.294.716	1.090.829	819.441	741.128
Prepays and other current assets	535.969	485.041	339.221	329.545
<b>Total current assets</b>	<b>7.314.813</b>	<b>6.916.409</b>	<b>4.629.629</b>	<b>4.699.126</b>
<b>NONCURRENT ASSETS</b>				
Property and Equipment	575.160	496.231	364.025	337.148
Intangible assets	1.130.086	883.266	715.244	600.106
Security deposit	185.528	174.787	117.423	118.753
Due from related parties	312.912	300.249	198.046	203.994
Deferred tax asset	1.409.858	1.409.858	892.315	957.882
<b>Total noncurrent assets</b>	<b>3.613.544</b>	<b>3.264.391</b>	<b>2.287.053</b>	<b>2.217.883</b>
<b>TOTAL ASSETS</b>	<b>10.928.357</b>	<b>10.180.800</b>	<b>6.916.682</b>	<b>6.917.009</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	355.691	587.384	225.121	399.079
Accrued expenses	1.115.032	1.068.159	705.716	725.725
Provisions	146.129	146.129	92.487	99.283
Deferred revenue	2.278.095	1.904.918	1.441.832	1.294.234
<b>TOTAL LIABILITIES</b>	<b>3.894.947</b>	<b>3.706.590</b>	<b>2.465.156</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	51.573.915	51.533.888	50.371.100	50.344.380
Accumulated deficit	(50.663.418)	(53.752.141)	(50.709.610)	(52.962.508)
Current net profit	507.388	3.088.723	338.711	2.252.898
Foreign currency translation adjustment	(56.746)	(68.531)	(915.317)	(602.724)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7.033.410</b>	<b>6.474.210</b>	<b>4.451.526</b>	<b>4.398.688</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10.928.357</b>	<b>10.180.800</b>	<b>6.916.682</b>	<b>6.917.009</b>

# artnet AG Consolidated Income Statement

For the Three Months Ended March 31, 2008 and 2007

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EURO	EURO
<b>Revenue</b>				
Online Gallery Network	1.791.202	1.372.879	1.195.729	1.048.070
Price Database	1.582.667	1.350.618	1.056.520	1.031.075
Advertising	696.824	443.598	465.170	338.647
Other Products	129.021	114.108	86.129	87.111
Online Auctions	25.663	–	17.132	–
<b>Total revenue</b>	<b>4.225.377</b>	<b>3.281.203</b>	<b>2.820.680</b>	<b>2.504.903</b>
<b>Cost of Net Revenues</b>	<b>1.597.728</b>	<b>948.515</b>	<b>1.066.574</b>	<b>724.106</b>
<b>Gross profit</b>	<b>2.627.649</b>	<b>2.332.688</b>	<b>1.754.106</b>	<b>1.780.797</b>
<b>Other operating expenses</b>				
Selling and Marketing	714.443	538.454	476.931	411.061
General and Administrative	876.566	648.106	585.158	494.771
Product Development	513.252	283.086	342.625	216.111
Non-cash Compensation	40.027	23.791	26.720	18.162
<b>Total other operating expenses</b>	<b>2.144.288</b>	<b>1.493.437</b>	<b>1.431.434</b>	<b>1.140.105</b>
<b>Profit from operations</b>	<b>483.361</b>	<b>839.251</b>	<b>322.672</b>	<b>640.692</b>
Interest Expense	4.551	(331)	3.038	(253)
Interest Income	26.401	29.138	17.624	22.244
Other Income	21.477	4.763	14.337	3.636
<b>Profit Prior to tax provision</b>	<b>535.790</b>	<b>872.821</b>	<b>357.671</b>	<b>666.319</b>
Income taxes	(28.402)	(20.540)	(18.960)	(15.680)
<b>Net Profit</b>	<b>507.388</b>	<b>852.281</b>	<b>338.711</b>	<b>650.639</b>
<b>Earnings Per Share</b>				
Net Profit per basic share	0,09	0,15	0,06	0,12
Net Profit per diluted share	0,09	0,15	0,06	0,11
<b>Weighted Average Shares</b>				
Basic	5.552.986	5.552.986	5.552.986	5.552.986
Diluted	5.714.986	5.716.986	5.714.986	5.716.986

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

For the Three Months Ended March 31, 2008 and 2007

Common Stock							
	Shares Issued	Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
<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					852.281		852.281
Foreign Currency Translation						(17.995)	(17.995)
Non-cash Compensation			23.791				23.791
<b>BALANCE – March 31, 2007</b>	5.631.067	5.941.512	51.415.807	(269.241)	(52.899.860)	(121.714)	4.066.504
<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					507.388		507.388
Foreign Currency Translation						11.785	11.785
Non-cash Compensation			40.027				40.027
<b>BALANCE – March 31, 2008</b>	5.631.067	5.941.512	51.573.915	(269.241)	(50.156.030)	(56.746)	7.033.410

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

For the Three Months Ended March 31, 2008 and 2007

Common Stock							
	Shares Issued	Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
<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					650.640		650.640
Foreign Currency Translation						(50.911)	(50.911)
Non-cash Compensation			18.162				18.162
<b>BALANCE – March 31, 2007</b>	5.631.067	5.631.067	50.259.061	(264.425)	(52.311.868)	(263.956)	3.049.879
<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					338.711		338.711
Foreign Currency Translation						(312.593)	(312.593)
Non-cash Compensation			26.720				26.720
<b>BALANCE – March 31, 2008</b>	5.631.067	5.631.067	50.371.100	(264.425)	(50.370.899)	(915.317)	4.451.526

# artnet AG Consolidated Cash Flow Statement

For the Three Months Ended March 31, 2008 and 2007

	Three Months Ended 31.03.2008	Three Months Ended 31.03.2007	Three Months Ended 31.03.2008	Three Months Ended 31.03.2007
	Consolidated USD	Consolidated USD	Consolidated EURO	Consolidated EURO
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Net Profit</b>	<b>507.388</b>	<b>852.281</b>	<b>338.711</b>	<b>650.640</b>
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Depreciation and amortization	105.806	58.355	70.632	44.549
Provision for doubtful accounts	-	12.470	-	9.520
Deferred income taxes	-	(104.974)	-	(79.570)
Non-cash compensation	40.027	23.791	26.720	18162
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(203.887)	(338.716)	(136.106)	(246.904)
Prepaid and other current assets	(50.928)	(253.564)	(33.997)	(187.581)
Security deposits	(10.741)	(19.155)	(7.170)	(13.219)
Accounts payable	(231.693)	(223.951)	(154.668)	(169.382)
Accrued expenses and tax liabilities	46.873	20.345	31.290	8.778
Change in foreign currency translation adjustment	(1.002)	(19.423)	7.286	(15.601)
Deferred Revenue	373.177	360.669	236.191	258.922
<b>TOTAL ADJUSTMENTS</b>	<b>67.632</b>	<b>(484.153)</b>	<b>40.178</b>	<b>(372.326)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>575.020</b>	<b>368.128</b>	<b>378.889</b>	<b>278.314</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(130.634)	(44.702)	(87.206)	(34.127)
Purchase and development of intangible assets	(300.921)	(100.459)	(200.882)	(76.691)
Receivables from related parties	(12.663)	(12.663)	(8.015)	(9.497)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(444.218)</b>	<b>(157.824)</b>	<b>(296.103)</b>	<b>(120.315)</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	12.787	1.428	(240.272)	(24.622)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>143.589</b>	<b>177.889</b>	<b>(157.486)</b>	<b>107.724</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>5.484.128</b>	<b>3.389.526</b>	<b>3.470.967</b>	<b>2.542.145</b>

# Notes

## to the Three 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 April 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. 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 March 31, 2008, are not necessarily indicative for future results.

The interim financial statements as of March 31, 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 March 31, 2008.

#### Reporting Period

The accounts represented in this report are for the time frame January 1 through March 31, 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 three months presented:

	USD to EUR		USD to GBP	
	3/31/2008	3/31/2007	3/31/2008	3/31/2007
Current rate period end	.633	.750	.501	.510
Average rate for the period	.668	.764	.506	.512

#### 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 of Presentation of cost items in the consolidated income statement

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 288,000 from General and Administrative costs to the Cost of Net Revenues category for the prior year quarter. The prior year presentation has been reclassified to conform to that of the current year. Furthermore costs related to insurance, benefits and rental costs were reclassified for the prior year quarter from General and Administrative costs in the amount of EUR 43,000 to the Selling and Marketing expenses category and in the amount of EUR 22,000 to the Product Development costs category.

#### Changes in the valuation of internally generated intangible assets

The Group began capitalizing salaries of its own staff directly related to product development as of January 1, 2008 for those product development projects that fulfill the recognition criteria of IAS 38. Capitalized salaries amounted to approximately EUR 108,000 in the first quarter of 2008.

#### 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 March 31, 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 3/31/2008	Period ended 3/31/2007
Revenue	EURO	EURO
United States	1,473,000	1,569,278
Europe	1,153,411	824,971
Rest of World	194,269	110,654
<b>Total</b>	<b>2,820,680</b>	<b>2,504,903</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 3/31/2008	Period ended 3/31/2007
	EURO	EURO
<b>Numerator (Earnings):</b>		
Net profit retained for equity shareholders	338,711	650,639
<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	162,000	164,000
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,714,986	5,716,986

#### Employees

As of March 31, 2008 there were 93 full time employees as compared to 55 in the prior year's first quarter. Additionally, the Group employed 17 part-time employees and interns as compared to 14 as of March 31, 2007 and 17 sales and other consultants as compared to 14 in the first 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 Securities Trading Act

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%.

Mr. Oliver Schmidt, Düsseldorf, has informed us, that the proportion of his voting in our company exceeded the 5 % voting right limit on February the 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

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

Berlin, April 25, 2008



Chief Executive Officer  
Hans Neuendorf