

2007

THREE MONTH REPORT 2007 FIRST QUARTER

artnet ag

artnet AG Three Month Report 2007

Index

Interim Group Management Report for the First Quarter 2007	3
Consolidated Balance Sheet	8
Consolidated Income Statement	9
Statement of Changes in Shareholder's Equity (USD)	10
Statement of Changes in Shareholder's Equity (Euro)	10
Consolidated Cash Flow Statement	11
Notes to the Three Months Report 2007	
Consolidated interim Financial Statements	12

artnet AG

Interim Group Management Report for the First Quarter 2007

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."

Artnet Positioning

artnet provides web-based services to fine art professionals all over the world, improving industry communications and bringing transparency with up to the minute pricing information. The vehicles here are two:

(1) The "**galleries**" network, comprising over 1,600 dealers and 100,000 artworks in inventory, represents the world's largest market overview commanding over 1 million unique visitors a month. Dealers routinely sell works advertised on the network, and, just as significantly, they are able to post a "wanted to buy" to acquire works from other dealers and private collectors. The Gallery Network has the largest network of galleries currently on the web. The Company is positioning itself for international expansion into areas such as China where the art market growth has exceeded the overall average. We have also made significant inroads in attracting more galleries specializing in decorative arts and in 20th Century design.

(2) With approximately three 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. But, most important, it provides an illustrated "blue book" for private collectors with which they can appraise the works they own and measure opportunities at auction or in the dealer market. Dealers and auctioneers, in their turn, use artnet "comps" (comparables sales

from artnet's Price Database) to sell important works of art. In fact, the Company is involved in a program with Sotheby' where all fine art lots in their New York sales posted on sothebys.com are linked to a branded artnet "sales history."

The Price Database is the only database providing images of artworks along with the auction prices. The Company believes the speed and reliability of the website and the vast amounts of information which have been collected over the years has created a formidable barrier to competition. Although there are other Companies offering services similar to artnet, they lag far behind artnet in terms of information and technology.

Sales Growth totaled 28%

Artnet continued to develop in a positive manner during the first three months of the year. Total revenue for the first quarter amounted to EUR 2.5 million as compared with EUR 2.0 million which represented a 28% growth rate. Revenue from the Price Database continued to grow with a 36% increase over the prior year's first quarter. Subscriptions to the database grew from over 8,800 subscribers at the end of 2006 to over 9,500 subscribers at the end of the first quarter 2007. The Company launched the 20th Century design database during 2006 which has helped increase the Price Database subscriptions as did the Sotheby's marketing cooperation and the general growth in the art market. Additionally, banner advertising has continued to expand during the first quarter of 2007 with an increase of 44% to EUR 339,000 from EUR 235,000.

Net Profit increased 37%

Net profit grew by 37% in the first quarter of 2007 to EUR 651,000 as compared with EUR 474,000 in the first quarter of 2006. The growth is primarily the result of the continued increase in new Price Database customers where the additional revenue from new customers does not generate an equal increase in cost. The cost of revenue as a percentage of revenue decreased from 21% in the first quarter of 2006 to 17% in the first quarter of 2007. Our sales and marketing expense as a percentage of revenue expanded from 13% to 15% quarter over quarter. This resulted mainly from increased global marketing initiatives that began in 2006 and have continued into the first quarter of 2007 as well as increased commission expense related to advertising and on-line gallery network sales. Product development increased as a percentage of revenue from 6% to 8% quarter over quarter. The increase is in line with our goals of enhancing the functionality of the website as well as bringing new products to market.

Cash flow and Capital Expenditures

Artnet's operating cash flow of EUR 278,000 as of March 31, 2007 increased slightly compared to the prior year quarter 2006, even though the Company made significant prepayments at the end of 2006 and the beginning of 2007 related to the website network infrastructure. Additionally, the Company experienced a growth

in the accounts receivable related to increased sales and a reduction in accounts payable and provisions as compared with March 31, 2006.

The cash flow from investing activities of EUR 120,000 in the first three months of 2007 shows our continued commitment to invest in the enhancement of our website as well as in capital expenditures which continue to maintain our current infrastructure.

The cash flows used for financing activities represents loan payments to shareholders. The outstanding amount of the loan was repaid in full during the first quarter of 2007.

Asset position

The balance sheet total amounted to EUR 5,292,000 at March 31, 2007 as compared to EUR 4,684,000 at December 31, 2006, which represents an increase of 13%. Bank balances were EUR 2,542,000 at the end of the first quarter 2007 up from EUR 2,434,000 as of December 31, 2006 which represents an increase of EUR 108,000. The Company invested heavily in the first quarter for both product development and prepayments for website network infrastructure. The investment policy for the Company is conservative. Accordingly, the cash is invested nightly in an overnight sweep account which is re-deposited every morning. This keeps all cash liquid for the Company. Based on the average outstanding shares of 5,552,986, liquidity per share amounted to EUR .46 in the first quarter 2007 as compared to .44 at December 31, 2006.

Trade accounts receivable increased from EUR 692,000 to EUR 929,000 due mainly to the increase in sales.

The level of current liabilities remained fairly consistent at the end of the first quarter 2007 and December 31, 2006 with an amount of EUR 2.2 to 2.3 Mio. The primary changes in the amount resulted from an increase in deferred revenue as a result of sales growth offset by the repayment of shareholder loans and the reduction of accounts payable.

The artnet Group currently finances all projects on an internal basis. The group companies hold no commitments from banks as of March 31, 2007.

Artnet Group's consolidated equity reached EUR 3,050,000 at the end of the first quarter 2007 as compared to only EUR 2,432,000 at the end of 2006. The considerable growth is a direct result of the net profit in 2007.

artnet's Price Database is an intangible asset that has been built through the process of gathering auction information throughout 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 because of the accounting rules. artnet believes if it were an intangible asset on the balance sheet, it would significantly increase the assets.

OTHER INFORMATION

Currency translation

Currency translation in the statement of operations is based on the average exchange rate for the period ending March 31, 2007 and 2006, respectively. For 2007, the average rate was .7634 euros/dollar as compared to .8342 euros/dollar in 2006. This represented an 8% 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, 2007, the rate was .750 euros/dollar as compared to .758 at December 31, 2006, thus representing an exchange differential of 1%. 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 Company 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.

Employees

As of March 31, 2007, the Company had 55 full time employees as compared to 46 as of March 31, 2006. Additionally, the Company had fourteen sales and other consultants as compared to nine in the prior year quarter and fourteen part-time employees as compared to seven at March 31, 2006.

artnet employee stock option plan

The employees of artnet held 285,250 stock options as of March 31, 2007, of which 190,250 were exercisable. Of these 285,250 stock options the management of Artnet Worldwide Corp. held 166,000 as of March 31, 2007, of which 146,000 were exercisable.

artnet Treasury Stock

artnet held 78,081 treasury shares of stock representing 1.4 % of the common stock as of March 31, 2007 and December 31, 2006.

Risks of the future development

The Company holds the view that the risk structure has not changed since December 31, 2006.

OUTLOOK

The first three months of the year have shown encouraging progress and we are optimistic for fiscal year 2007. The art market has seen positive growth in the first quarter of the year which is expected to continue through 2007. We believe the growth in the art market will continue to have a direct positive impact on the Company.

artnet has continued to grow in both gallery network and advertising revenue. Second and third tier auctioneers have been posting lots successfully in the Gallery Network for 18 months, and we are in pointed conversations with large auction houses to expand this capability. Success in this endeavor could have a positive impact on revenues, and could help us speed the launch of our own online auctions. Additionally, we are anticipating further growth in the Price Database due to expansion of the Sotheby's marketing cooperation into the European market and continued growth in the decorative art market and 20th Century design. Finally, we're hoping the Art Basel/artnet collaboration in June will help us attract more clients throughout the United States and Europe.

We plan to continue our investment into new products such as the online auctions as well as the re-launch of the website both scheduled for 2007. We believe these investments may cause our profit as a percentage of revenue to decrease slightly in 2007 but rebound in 2008.

Berlin, April 20, 2007



The CEO
Hans Neuendorf

artnet AG Consolidated Balance Sheet

As of March 31, 2007 and December 31, 2006

	31.03.2007	31.12.2006	31.03.2007	31.12.2006
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EURO	EURO
CURRENT ASSETS				
Cash and cash equivalents	3.389.526	3.211.637	2.542.145	2.434.421
Accounts receivable-net	1.238.850	912.604	929.138	691.754
Prepays and other current assets	577.564	324.000	433.173	245.592
Total current assets	5.205.940	4.448.241	3.904.456	3.371.767
NONCURRENT ASSETS				
Property and Equipment	252.438	234.979	189.329	178.114
Intangible assets	268.180	198.833	201.135	150.715
Security deposit	162.564	143.409	121.923	108.704
Due from shareholder	270.749	258.086	203.062	195.629
Deferred tax asset	896.192	896.192	672.144	679.314
Total noncurrent assets	1.850.123	1.731.499	1.387.593	1.312.476
TOTAL ASSETS	7.056.063	6.179.740	5.292.049	4.684.243
LIABILITIES AND SHAREHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	211.417	435.368	158.563	330.009
Accrued expenses	814.555	810.075	610.916	614.037
Provisions	139.464	139.464	104.598	105.714
Current income tax liabilities	15.865	104.974	11.899	79.570
Due to shareholder	-	33.843	-	25.653
Deferred revenue	1.808.258	1.447.589	1.356.194	1.097.272
TOTAL LIABILITIES	2.989.559	2.971.313	2.242.170	2.252.255
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	51.415.807	51.392.016	50.259.061	50.240.899
Accumulated deficit	(53.752.141)	(56.875.538)	(52.962.508)	(55.451.948)
Current net profit	852.281	3.123.397	650.640	2.489.440
Foreign currency translation adjustment	(121.714)	(103.719)	(263.956)	(213.045)
TOTAL SHAREHOLDERS' EQUITY	4.066.504	3.208.427	3.049.879	2.431.988
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7.056.063	6.179.740	5.292.049	4.684.243

artnet AG Consolidated Income Statement

For the Three Months ended March 31, 2007 and 2006

	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EURO	EURO
Revenue				
Online Gallery Network	1.372.879	1.102.251	1.048.070	919.476
Price Database	1.350.618	906.696	1.031.075	756.348
Advertising	443.598	281.480	338.647	234.805
Other Products	114.108	47.714	87.111	39.802
Total revenue	3.281.203	2.338.141	2.504.903	1.950.431
Cost of Net Revenues	571.635	494.521	436.392	412.519
Gross profit	2.709.568	1.843.620	2.068.511	1.537.912
Other operating expenses				
Selling and Marketing	482.690	314.298	368.490	262.181
General and Administrative	1.110.099	808.787	847.461	674.674
Product Development	253.737	134.239	193.705	111.979
Non-cash Compensation	23.791	6.851	18.162	5.715
Total other operating expenses	1.870.317	1.264.175	1.427.818	1.054.549
PROFIT FROM OPERATIONS				
Interest Expense	(331)	(7.134)	(253)	(5.951)
Interest Income	29.138	2.727	22.244	2.275
Other Income	4.763	2.111	3.636	1.761
Profit Prior to tax provision	872.821	577.149	666.320	481.448
Tax Provision	(20.540)	(9.300)	(15.680)	(7.758)
Net Profit	852.281	567.849	650.640	473.690
EARNINGS PER SHARE				
Net Profit per basic share	0,15	0,10	0,12	0,09
Net Profit per diluted share	0,15	0,10	0,11	0,08
WEIGHTED AVERAGE SHARES				
Basic	5.552.986	5.552.986	5.552.986	5.552.986
Diluted	5.716.986	5.658.986	5.716.986	5.658.986

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

For the Three Months ended March 31, 2007 and 2006

	Common Stock						
	Shares Issued	Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
Balance December 31, 2005	5.631.067	5.941.512	51.334.420	(269.241)	(56.875.538)	(8.152)	123.001
Net Income					567.849		567.849
Foreign Currency Translation						(3.516)	(3.516)
Issuance of common stock			6.851				6.851
Balance March 31, 2006	5.631.067	5.941.512	51.341.271	(269.241)	(56.307.689)	(11.668)	694.185
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					852.281		852.281
Foreign Currency Translation						(17.995)	(17.995)
Non-cash Compensation			23.791				23.791
BALANCE – March 31, 2007	5.631.067	5.941.512	51.415.807	(269.241)	(52.899.860)	(121.714)	4.066.504

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

For the Three Months ended March 31, 2007 and 2006

	Common Stock						
	Shares Issued	Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
Balance Dezember 31, 2005	5.631.067	5.631.067	50.194.993	(264.425)	(55.451.948)	(5.826)	103.861
Net Income					473.690		473.690
Foreign Currency Translation						(8.342)	(8.342)
Issuance of common stock			5.715				5.715
Balance March 31, 2006	5.631.067	5.631.067	50.200.708	(264.425)	(54.978.258)	(14.168)	574.924
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					650.640		650.640
Foreign Currency Translation						(50.911)	(50.911)
Non-cash Compensation			18.162				18.162
BALANCE – March 31, 2007	5.631.067	5.631.067	50.259.061	(264.425)	(52.311.868)	(263.956)	3.049.879

artnet AG Consolidated Cash Flow Statement

For the Three Months Ended March 31, 2007 and 2006

	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	Consolidated	Consolidated	Consolidated	Consolidated
	USD	USD	EURO	EURO
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit	852.281	567.849	650.640	473.690
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Depreciation and amortization	58.355	50.349	44.549	42.000
Provision for doubtful accounts	12.470	9.812	9.520	8.185
Non-cash compensation	23.791	6.851	18.162	5.715
Income tax payments	(104.974)	-	(79.570)	-
Changes in operating assets and liabilities:				
Accounts receivable	(338.716)	(149.557)	(246.904)	(113.649)
Prepaid and other current assets	(253.564)	(30.201)	(187.581)	(23.144)
Security deposits	(19.155)	-	(13.219)	-
Accounts payable	(223.951)	(214.185)	(169.382)	(183.344)
Accrued expenses and tax liabilities	20.345	(96.568)	8.778	(91.676)
Change in foreign currency translation adjustment	(19.423)	(29.555)	(15.601)	22.586
Deferred Revenue	360.669	158.610	258.922	113.723
TOTAL ADJUSTMENTS	(484.153)	(294.444)	(372.326)	(219.604)
NET CASH PROVIDED BY OPERATING ACTIVITIES	368.128	273.405	278.314	254.086
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(44.702)	(52.480)	(34.127)	(43.778)
Purchase of intangible assets	(100.459)	(27.915)	(76.691)	(23.286)
Receivables from shareholder, advance	(12.663)	(12.663)	(9.497)	(10.487)
NET CASH USED IN INVESTING ACTIVITIES	(157824)	(93.058)	(120.315)	(77.551)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan Payments to Shareholders	(33.843)	(24.542)	(25.653)	(22.986)
NET CASH USED IN FINANCING ACTIVITIES	(33.843)	(24.542)	(25.653)	(22.986)
Effects of exchange rate changes on cash	1.428	26.039	(24.622)	(21.987)
NET INCREASE IN CASH AND CASH EQUIVALENTS	177.889	181.844	107.724	131.562
CASH – Beginning	3.211.637	1.175.379	2.434.421	992.490
CASH – Ending	3.389.526	1.357.223	2.542.145	1.124.052

Notes

to the Three Months Report 2007 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.

Basis of Presentation

These unaudited quarterly financials statements have been prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and its interpretations of the International Accounting Standards Board (IASB) 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. 6 on interim reporting.

The same accounting and valuation methods have been applied to these quarterly reports as to the most recent annual financial statements.

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.

Reporting Period

The accounts represented in this report are for the time frame January 1 through March 31, 2007 and 2006, respectively.

Currency

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 artnet operates is US Dollars. For convenience purposes, especially of our US-investors, the consolidated interim financial statements are also presented in US-Dollar.

Basis of Consolidation

The consolidated interim financial statements include the 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.

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

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, 2007 and 2006 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 3/31/2007	Period ended 3/31/2006
	EURO	EURO
Revenue		
United States	1,569,278	1,380,781
Europe	824,971	508,182
Rest of World	110,654	61,468
Total	2,504,903	1,950,431

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 Company'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 3/31/2007	Period ended 3/31/2006
	EURO	EURO
Numerator (Earnings):		
Net profit retained for equity shareholders	650,640	473,690
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	164,000	106,000
Weighted average number of ordinary shares used to calculate dilutive earnings per share	5,716,986	5,658,986

Employees

At March 31, 2007 there were 55 full time employees as compared with 46 in the previous year first quarter. Additionally, the Group employed fourteen part-time employees as compared to seven in the year ago quarter and fourteen sales and other consultants as compared to nine as of March 31, 2006.

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.

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%.

Report on post-balance sheet events

artnet AG received admission to the Prime Standard of the Frankfurt Stock Exchange. The shares of artnet have been traded in the Prime Standard since February 1, 2007.

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

Berlin, April 20, 2007



Chief Executive Officer
Hans Neuendorf