artnet AG Six Months Report 2/2009

artnet AG

artnet AG Interim Group Management Report For the Six Months Report Ended June 30, 2009

Business Development

Overview of the Business Development Half Year 2009

As of this writing, the *artnet Gallery Network* and the *artnet Price Databases Fine Art and Design* and *Decorative Art* generate the lion's share (79 %) of artnet revenues. Widely subscribed, and information-based, these products continue to draw support from collectors and art professionals around the world. The database provides reliable, up-to-the-minute price information, while the *artnet Gallery Network* signals the availability of inventory, market conditions notwithstanding.

The site's EUR 18 % (USD 28 %) decline in banner advertising reflects the calamitous global decline in both consumer and trade advertising for virtually all media. It should also be noted that reliable statistics support the fact that our audience remains the largest dedicated audience of any medium in the field, online or offline, and remains stable.

Offsetting, from January 1, 2009 to June 30, 2009, artnet's online auction revenues have increased from EUR 238.000 (USD 301.000) to EUR 316.000 (USD 421.000) which represents an increase of EUR 305 % (USD 251 %) even as industry sales of fine and decorative art objects have declined precipitously over the same period. Significantly, it is this transition to a 'buyer's market' that has enabled our specialists to garner consignments at realistic reserves.

We believe our online auctions offer irresistible benefits to consignors and buyers alike, and that we will soon build an even more significant share-of-market over our brick and mortar competitors.

Results of Operations, Financial Position and Net Assets

Earnings

During the first half of 2009 artnet's revenue increased 9% (USD decreased 5%) to EUR 6,387,000 (USD 8,514,000) from EUR 5,837,000 (USD 8,923,000) in 2008.

The US Dollar has appreciated 15% compared to the first six months of 2008. Due to the appreciation of the dollar, our revenue growth in Euros has been positively impacted.

Income from operations declined EUR 488,000 (USD 726,000) to EUR (103,000) (USD (138,000)) from EUR 385,000 (USD 588,000) in the same period, 2008. Cost of sales increased as compared to the prior year primarily due to investments in new products such as artnet.fr, the *artnet Market Data* project and the *artnet Price Database Decorative Art*. Costs related to the operations of artnet.fr during the first half of 2009 increased from 2008 by EUR 179,000 (USD 233,000). The Group also incurred approximately

EUR 75,000 (USD 97,000) in additional expenses related to the *artnet Market Data* project which is scheduled to launch in the fall of 2009. Depreciation increased EUR 167,000 (USD 190,000), which is attributed to the launch of the *artnet Price Database Decorative Art*, in addition to other new products launched during 2008. General and administrative expenses have also increased as compared to the prior year primarily due to an increase in bad debt reserve of EUR 95,000 (USD 123,000) as compared to the prior year.

Net profit/(loss) declined EUR 931,000 (USD 1,407,000) to EUR (87,000) (USD (116,000)) in 2009 from EUR 844,000 (USD 1,291,000) in 2008. The decrease is due to deferred taxes which were booked in 2008 and positively affected the net income line item for that period. This did not recur in 2009.

Diluted earnings per share were EUR (0.02) (USD 0.02) at the end of the first half of 2009, compared to EUR 0.15 (USD 0.23) in the same period in 2008.

Currency Conversion

The consolidated financial statements on a Euro-basis were affected by the appreciating value of the US Dollar in the first half of 2009 compared to the first half of 2008.

Currency conversion in the consolidated income statement is based on the average exchange rate for the period ending June 30, 2009 and 2008, respectively. For the first half of 2009, the average rate was 0.750 euros/dollar compared to 0.654 euros/dollar in the first half of 2008. This represents a 15% increase in the average currency rate. Currency conversion for the balance sheet is based on the exchange rate at the end of the period. As of June 30, 2009, the rate was 0.712 euros/dollar compared to 0.710 on December 31, 2008, thus representing an exchange differential of 0%.

artnet is subject to exchange rate fluctuations because 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 and British Pounds and paying vendors throughout Europe in the same currency with these cash funds.

Financial Position

artnet's Group operating cash flow was EUR (222,000) (USD (336,000)) as of June 30, 2009 compared to EUR 331,000 (USD 509,000) as of June 30, 2008. The negative operating cash flow is mainly the result of a decrease in accounts payable, accrued expenses and deferred revenue. The Group had payment obligations on December 31, 2008 related to the new network infrastructure. The payment obligations were paid in the first quarter of 2009. Additionally, deferred revenue declined due to a decrease in the amount of annual contracts sold as compared to the prior year.

The Group's net cash flow used for investing activities was EUR (282,000) (USD (376,000)) and EUR (570,000) (USD (872,000)) as of June 30, 2009 and 2008. The Group invested in the *artnet Price Database Decorative Art* during the first quarter of 2009 and has continued to invest in the *artnet Market*

Data project which is planned to launch in the fall of 2009. Additionally, hardware and software related to the network were purchased during the first half of the year.

The Group's net cash flow for financing activities was EUR (22,000) (USD (29,000)) as of June 30, 2009. In December 2008, the company entered a finance lease arrangement for equipment related to the new network infrastructure. Payments began in the first quarter of 2009.

The cash balance decreased from EUR 2,925,000 (USD 4,123,000) on December 31, 2008 to EUR 2,407,000 (USD 3,381,000) on June 30, 2009. This decrease is primarily the result of the capital investments made to develop new products, as well as, payments made towards the new network infrastructure. The cash investment policy for the Group is conservative and based on short term investments. This policy allows all cash to be liquid and available. Based on the average outstanding shares of 5,552,986, liquidity per share was EUR 0.43 (USD 0.61) on June 30, 2009 compared to EUR 0.53 (USD 0.74) on December 31, 2008

Asset Position

The balance sheet total was EUR 6,972,000 (USD 9,793,000) on June 30, 2009 compared to EUR 7,631,000 (USD 10,756,000) on December 31, 2008, representing a decrease of 9% (USD (9 %)).

Trade accounts receivables were reduced by EUR 144,000 (USD 208,000) to EUR 844,000 (USD 1,185,000) due to increased bad debt reserve as well as a decrease in sales denominated in USD.

Fixed assets decreased by EUR 41,000 (USD 68,000) to EUR 1,910,000 (USD 2,683,000) as a result of continued deprecation and less investments in the first six months of 2009.

Total current liabilities decreased by EUR 574,000 (USD 822,000) from EUR 3,337,000 (USD 4,703,000) to EUR 2,763,000 (USD 3,881,000). The Group met its payment obligations for the new network infrastructure and for other liabilities during the first quarter of 2009, reducing its current liabilities. In addition, deferred revenue declined due a decrease in the amount of annual contracts sold as compared to the prior year.

artnet Group's consolidated equity was EUR 4,135,000 (USD 5,808,000) on June 30, 2009 compared to EUR 4,200,000 (USD 5,919,000) on December 31, 2008.

artnet's *Price Database* is an intangible asset that has been developed by gathering auction information over the last ten years. This valuable asset to the Group has not been attributed full earnings recognition on the balance sheet due to accounting rules. Balance sheet assets would be substantially increased if this recognition were allowed by law.

Employees

On June 30, 2009 artnet had 108 full-time employees compared to 99 in 2008, first half. The Group employed 17 part-time employees compared to 13 on June 30, 2008 and 12 sales representatives and consultants compared

to 17 in the first half of 2008. The increase was primarily accounted for by new employees hired to support customer service, website development, the *artnet Price Database Decorative Art* and artnet.fr.
Although the addition of skilled, motivated employees is one of the crucial factors for the Group's future development, the increase in staffing will burden the Group's earnings short term. This is particularly significant in the start-up phase of new products while the new products only offer a smaller contribution to the Group's revenues.

General information and business activities

artnet AG is a holding company listed on the 'Geregelter Markt' in the Prime Standard segment at the Frankfurt Stock Exchange. artnet AG's principal holding is its wholly-owned subsidiary, artnet Worldwide Corp., a New York corporation founded in 1989. artnet AG ('the Company') and artnet Worldwide Corp. ('artnet Corp.') operate under the trade name 'artnet'.
artnet Corp. has two wholly-owned subsidiaries. artnet UK is a sales and client service company providing customer leads and customer support to artnet Corp.'s clients in the United Kingdom. artnet France provides and maintains a magazine in French on the artnet.fr website in addition to providing customer leads and customer support to artnet Corp.'s clients in France.
artnet offers an overview of art for sale in international galleries and auction houses. It enables art market participants to make informed decisions by providing information about artists, their galleries, the value of their work, the history of the prices of their artwork, exhibitions, reviews and daily news.

The **artnet Gallery Network** is comprised of over 2,180 dealers and auctioneers. Approximately 168,000 works of art are in inventory. The *artnet Gallery Network* has the most extensive network of galleries currently on the web. We are the world's largest market overview attracting over 1.7 million distinctive visitors per month. The *artnet Gallery Network*'s clients include the world's most prestigious art galleries. They contract artnet to post works for sale to collectors. Visitors can now shop for artworks by 20th-century designers from a fast-growing cadre of dealers and auctioneers specializing in design.

The **artnet Price Database Fine Art and Design** and the **artnet Price Database Decorative Art**, launched during the first quarter of 2009, are systematically updated archives of over 3.9 million illustrated auction records from over 500 of the world's top auction houses. This brings price transparency to the art market. Database subscribers can obtain an up-to-the-minute, fair appraisal of work they want to buy or sell by comparing the art to work sold at auction since 1985. artnet's *Price Databases* are widely subscribed to 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. Also, dealers and auctioneers use artnet 'comps' (comparable sales from artnet's *Price Databases*) to sell important works of art. Sotheby's has recognized the prominence and value of the *artnet Price Databases* by partnering exclusively with artnet to post database comparables on the Sotheby's website. The *artnet Price Database Decorative Art* encompasses furniture, porcelain, silver, glass, carpets and all other artistic objects which have a practical application. It includes objects from many different historical periods.

An offspring of the *artnet Price Databases* is the **artnet Market Alert** which informs subscribers by e-mail when artworks by their favorite artists come up at auction, or when they are offered by any of the 2,180 *artnet Gallery Network* members.

The **artnet Artists' Works Catalogs** are catalogs which have been compiled and published showcasing specific artists. They are available for viewing online on the artnet website.

artnet Online Auctions makes art acquisition more accessible by offering information and transaction services that are less intimidating than conventional dealers and auction houses.
artnet.fr is a French online art magazine covering the art market in France. artnet plans to expand its presence in France which has a greater number of galleries and auction houses than most other countries in the world.

Subsequent Events

On July 15, 2009, the shareholders' meeting of artnet AG resolved to create new contingent capital of up to EUR 560,000. The contingent capital increase will serve to grant options on up to 560,000 shares as part of a new stock option plan. In this connection, the previous authorization to issue options on up to 435,000 shares and the corresponding contingent capital were cancelled. The shareholders also resolved to create new authorized capital of EUR 2,800,000 with exclusion of subscription rights because the previous authorization in the same amount expired on July 5, 2009.
No further reportable events of significant importance have occurred after the balance sheet date.

Risks of the future development

artnet holds the view that the risk structure has not changed since December 31, 2008.

Outlook

The global recession which began 18 months ago really didn't seriously impact the art market until the 4^{th} quarter of 2008. That said, the first half of 2009 has seen a very precipitous decline in both the sales volume and price points for fine and decorative art objects the world over. Needless to say, many galleries and auction houses find themselves in a struggle to survive.

And, whereas the equity markets seem to have 'found a bottom' in the last 4 months, the expectation here is that the art market will continue its contraction into the first quarter of 2010.
We would anticipate moderate attrition in gallery memberships and in our other subscriber-based services. Advertising revenues will also continue to decline, although we are anticipating a better fall season where national advertising is concerned.
We believe our online auctions offer the greatest upside growth potential in this market, as collectors and art professionals will gravitate toward speedier transactions at lower commissions.
But given the present difficult business conditions, we believe we will report a net loss for the last half of 2009.

Berlin, July 31, 2009

The CEO
Hans Neuendorf

Responsibility Statement

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 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 group for the remaining months of the financial year.

Berlin, July 31, 2009

The CEO
Hans Neuendorf

Consolidated Balance Sheet
As of June 30, 2009 and December 31, 2008

	06/30/2009 USD	12/31/2008 USD	06/30/2009 EUR	12/31/2008 EUR
Current Assets				
Cash and Cash Equivalents	3,381,233	4,122,960	2.407.100	2.925.240
Accounts Receivable-Net	1,184,863	1,392,944	843.504	988.294
Prepaids and Other Current Assets	540,311	500,886	384.647	355.379
Total Current Assets	**5,106,407**	**6,016,790**	**3.635.251**	**4.268.913**
Non-Current Assets				
Property and Equipment	1,185,447	1,281,577	843.920	909.279
Intangible Assets	1,497,977	1,468,521	1.066.410	1.041.916
Security Deposit	303,024	288,975	215.723	205.028
Due from Related Parties	297,674	297,674	211.914	211.200
Deferred Tax Asset	1,402,605	1,402,605	998.514	995.148
Total Non-Current Assets	**4,686,727**	**4,739,352**	**3.336.481**	**3.362.571**
Total Assets	**9,793,134**	**10,756,142**	**6.971.732**	**7.631.484**
Liabilities and Shareholder Equity				
Current Liabilities				
Accounts Payable	516,207	698,141	367.488	495.331
Accrued Expenses and Other Liabilities	1,152,167	1,483,164	820.228	1.052.305
Current Income Tax Liabilities	401,216	402,573	285.626	285.626
Finance Lease Obligation	69,424	69,424	49.423	49.256
Deferred Revenue	1,742,273	2,050,130	1.240.325	1.454.568
Total Current Liabilities	**3,881,287**	**4,703,432**	**2.763.090**	**3.337.086**
Long Term Liabilities				
Long Term Portion of Finance Lease	104,136	133,575	74.134	94.771
Total Liabilities	**3,985,423**	**4,837,007**	**2.837.224**	**3.431.857**
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	51,695,464	51,675,796	50.456.113	50.441.360
Accumulated Deficit	(51,380,953)	(50,663,418)	(51.199.973)	(50.709.610)
Current Net Loss	(116,264)	(717,535)	(87.210)	(490.363)
Foreign Currency Difference on Foreign Operations	(62,807)	(47,979)	(401.064)	(408.402)
Total Shareholders' Equity	**5,807,711**	**5,919,135**	**4.134.508**	**4.199.627**
Total Liabilities and Shareholders' Equity	**9,793,134**	**10,756,142**	**6.971.732**	**7.631.484**

Consolidated Income Statement
For the Six Months Ended June 30, 2009 and 2008, and for the Three Months Ended June 30, 2009 and 2008

	01/01/2009–06/30/2009	01/01/2008–06/30/2008	01/01/2009–06/30/2009	01/01/2008–06/30/2008	04/01/2009–06/30/2009	04/01/2008–06/30/2008	04/01/2009–06/30/2009	04/01/2008–06/30/2008
	USD	USD	EUR	EUR	USD	USD	EUR	EUR
Revenue								
artnet Gallery Network	3,657,131	3,725,068	2,743,214	2,436,492	1,812,330	1,933,866	1,359,429	1,264,903
artnet Price Database	3,088,327	3,256,337	2,316,554	2,129,905	1,530,752	1,673,670	1,148,217	1,094,714
Advertising	1,126,481	1,571,889	844,973	1,028,141	505,390	875,065	379,093	572,363
artnet Online Auctions	421,176	119,766	315,924	78,337	215,217	94,103	161,434	61,551
Other Products	221,088	250,355	165,838	163,752	107,312	121,334	80,495	79,362
Total revenue	**8,514,203**	**8,923,415**	**6,386,503**	**5,836,627**	**4,171,001**	**4,698,038**	**3,128,668**	**3,072,893**
Cost of Net Revenues	3,931,393	3,474,074	2,948,938	2,272,322	2,006,422	1,876,346	1,505,017	1,227,280
Gross Profit	**4,582,810**	**5,449,341**	**3,437,565**	**3,564,305**	**2,164,579**	**2,821,692**	**1,623,651**	**1,845,613**
Other operating expenses								
Selling and Marketing	1,439,472	1,595,704	1,079,748	1,043,718	706,125	881,261	529,664	576,415
General and Administrative	2,011,557	1,874,553	1,508,869	1,226,108	1,133,705	997,987	850,392	652,763
Product Development	1,249,735	1,300,047	937,426	850,335	701,716	786,795	526.357	514.627
Non-Cash Compensation	19,668	90,931	14,753	59,476	6,672	50,904	5,005	33,295
Total Other Operating Expenses	**4,720,432**	**4,861,235**	**3,540,796**	**3,179,637**	**2,548,218**	**2,716,947**	**1,911,418**	**1,777,100**
Profit/(Loss) from Operations	**(137,622)**	**588,106**	**(103,231)**	**384,668**	**(383,639)**	**104,745**	**(287,767)**	**68,513**
Interest Expense	(4,162)	—	(3,122)	—	(4,162)	—	(3,122)	—
Interest Income	14,135	45,445	10,603	29,725	4,877	14,493	3,658	9,479
Other Income/Expense	(6,239)	32,885	(4,680)	21,509	85,334	11,408	64,009	7,462
Profit/(Loss) Prior to Tax provision	**(133,888)**	**666,436**	**(100,430)**	**435,902**	**(297,590)**	**130,646**	**(223,222)**	**85,454**
Income Taxes	17,624	624,473	13,220	408,455	38,624	652,875	28,972	427,032
Net Profit/(Loss)	**(116,264)**	**1,290,909**	**(87,210)**	**844,357**	**(258,966)**	**783,521**	**(194,250)**	**512,486**
Other Comprehensive Income								
Exchange Differences on Translating Foreign Operations	(14,828)	11,092	7,338	(319,474)	(4,530)	(693)	(265,322)	6,881
Total Comprehensive Income	**(131,092)**	**1,302,001**	**(79,872)**	**524,883**	**(263,496)**	**782,828**	**(459,572)**	**519,367**
Earnings Per Share								
Net Profit per Basic Share	(0.02)	0.23	(0.02)	0.15	(0.05)	0.14	(0.03)	0.09
Net Profit per Diluted Share	(0.02)	0.23	(0.02)	0.15	(0.05)	0.14	(0.03)	0.09
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	5,663,986	5,708,986	5,663,986	5,708,986	5,663,986	5,708,986	5,663,986	5,708,986

Consolidated Statement of Changes in Equity (USD)
For the Six Months Ended June 30, 2009 and 2008

	Common Stock						
	Shares Issued	Amount	Additional Paid-in-Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
Balance December 31, 2007	5,631,067	5,941,512	51,533,888	(269,241)	(50,663,418)	(68,531)	6,474,210
Total Comprehensive Income					1,290,909	11,092	1,302,001
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
Balance December 31, 2008	5,631,067	5,941,512	51,675,796	(269,241)	(51,380,953)	(47,979)	5,919,135
Total Comprehensive Income					(116,264)	(14,828)	(131,092)
Non-Cash Compensation			19,668				19,668
Balance June 30, 2009	5,631,067	5,941,512	51,695,464	(269,241)	(51,497,217)	(62,807)	5,807,711

Consolidated Statement of Changes in Equity (EUR)
For the Six Months Ended June 30, 2009 and 2008

	Common Stock						
	Shares Issued	Amount	Additional Paid-in-Capital	Treasury Stock	Accumulated Deficit	Foreign Currency Translation	Total
Balance December 31, 2007	5,631,067	5,631,067	50,344,380	(264,425)	(50,709,610)	(602,724)	4,398,688
Total Comprehensive Income					844,357	(319,474)	524,883
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
Balance December 31, 2008	5,631,067	5,631,067	50,441,360	(264,425)	(51,199,973)	(408,402)	4,199,627
Total Comprehensive Income					(87,210)	7,338	(79,872)
Non-Cash Compensation			14,753				14,753
Balance June 30, 2009	5,631,067	5,631,067	50,456,113	(264,425)	(51,287,183)	(401,064)	4,134,508

Consolidated Statement of Cash Flows
For the Six Months Ended June 30, 2009 and 2008

	01/01/2009–06/30/2009	01/01/2008–06/30/2008	01/01/2009–06/30/2009	01/01/2008–06/30/2008
	USD	USD	EUR	EUR
Cash Flows from Operating Activities				
Net Profit/(Loss)	**(116,264)**	**1,290,909**	**(87.210)**	**844.357**
Adjustments to Reconcile Net Profit/(Loss) to Net Cash Provided by (used in) Operating Activities:				
Depreciation and Amortization	442,661	252,893	332.040	165.412
Provision for Doubtful Accounts	148,328	25,102	111.261	16.419
Deferred Income Taxes	—	(674,978)	—	(427.531)
Non-Cash Compensation	19,668	90,931	14.753	59.476
Other Non-Cash Transactions	(14,047)	(19,406)	6.768	(19.984)
Changes in Operating Assets and Liabilities:				
Accounts Receivable	59,753	(498,527)	44.821	(326.077)
Prepaid and Other Current Assets	(39,425)	(131,701)	(29.573)	(86.143)
Security Deposits	(14,049)	4,308	(10.538)	2.816
Accounts Payable	(181,934)	(69,504)	(136.469)	(45.461)
Accrued Expenses and Tax Liabilities	(332,354)	(185,175)	(248.281)	(121.119)
Deferred Revenue	(307,857)	424,280	(219.164)	268.742
Total Adjustments	**(219,256)**	**(781,777)**	**(134.382)**	**(513.450)**
Net Cash Used in/Provided by Operating Activities	**(335,520)**	**509,132**	**(221.592)**	**330.907**
Cash Flows from Investing Activities				
Purchase of Property and Equipment	(114,750)	(325,463)	(86.074)	(212.879)
Purchase and Development of Intangible Assets	(261,237)	(520,875)	(195.954)	(340.694)
Receivables from Related Parties	—	(25,326)	—	(16.041)
Net Cash Used in Investing Activities	**(375,987)**	**(871,664)**	**(282.028)**	**(569.614)**
Cash Flows from Financing Activities				
Finance Lease Obligation	(29,439)	—	(22.082)	—
Net Cash Used in Financing Activities	**(29,439)**	**—**	**(22.082)**	**—**
Effects of Exchange Rate Changes on Cash	(781)	44,792	7.562	(208.305)
Net Decrease/Increase in Cash and Cash Equivalents	**(741,727)**	**(317,740)**	**(518.140)**	**(447.012)**
Cash – Beginning of the Period	4.122.960	5.340.539	2.925.240	3.628.453
Cash – Ending of the Period	**3,381,233**	**5,022,799**	**2.407.100**	**3.181.441**

Notes to the Interim Consolidated Financial Statements For the Six Months Report Ended June 30, 2009

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 Oranienstraße 164, 10969 Berlin. artnet AG was incorporated under the laws of Germany in 1998.
artnet AG holds 100 % of the shares in Artnet Worldwide Corporation, ('Artnet Corp.') which is located in New York, USA, and (indirectly) 100 % of the shares in artnet UK Ltd. and artnet France SARL. artnet AG and Artnet Corp. together with Artnet Corp.'s wholly owned subsidiaries 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. Additionally, the Group offers *artnet Online Auctions* which offers modern and contemporary fine art, prints and photographs by renowned artists.
The interim consolidated financial statements were authorized for issuance by the CEO on July 31, 2009.

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 as well as with §§ 37x, 37w of the Securities Trading Act. These financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.
IAS 1 'Presentation of Financial Statements' and IFRS 8 'Operating Segments' have been applied for the first time in 2009. IFRS 8 replaces IAS 14 'Segment Reporting'. It focuses on the so-called management approach. Accordingly, the identification of the segments and the disclosures for these segments are based on the information which is used internally by management. The initial application leads to additional disclosures in the Notes. The revised version of IAS 1 sets out new rules with respect to the presentation of financial statements. Formally, the income statement is complemented by a statement of comprehensive income. These effects are no longer presented in the statement of changes in equity.
The following new or revised standards and interpretations which became mandatory in fiscal 2009 did not have any impact on this interim report, and will not have on the annual financial statements of the Group for 2009:

IAS 23*	Borrowing Costs (1/1/2009)
IAS 32	Financial Instruments: Presentation (Puttable Instruments, 1/1/2009)
IFRS 1	First-Time Adoption of IFRS (1/1/2009)
IFRS 1*/IAS 27*	Deemed Cost of Shares in Subsidiaries, Joint Ventures and Associates (1/1/2009)

IFRS 2*	Share-Based Payment (1/1/2009)
IFRIC 12	Service Concession Arrangements (1/1/2008)
IFRIC 13	Customer Loyalty Programmes (7/1/2008)
IFRIC 15	Agreements for the Construction of Real Estate (1/1/2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (10/1/2008)

*Amendments

The amendments of IFRS 2 'Share-Based Payment' clarify specific issues with respect to vesting conditions and with respect to the cancellation of a stock option scheme. The standard could affect interim reporting and the annual financial statements as far as the Group's share-based payment plan will be changed and changes are governed by the amendments of IFRS 2.

With the exception of the application of new or revised standards and interpretations the same accounting and valuation methods have been applied to this interim report 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 2008.

The Management of the Company is convinced 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, 2009 are not necessarily indicative for future results.

The interim financial statements as of June 30, 2009 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, 2009.

Reporting Period

The interim consolidated financial statements were prepared for the reporting period January 1 through June 30, 2009. The financial year for all Group companies coincides with the calendar year.

Foreign Currency Translation and Transactions

Amounts mentioned in the interim consolidated financial statements and notes to the interim consolidated financial statements are stated in Euro (€), 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 Corp. Transactions in currencies other than US Dollar are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recognized as other income/expense.

On consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. The accumulated gains and losses resulting from translation are recorded as a separate component of the Group equity.

Currency exchange rates significant to the artnet Group are the translation of US Dollar (USD) to Euro (EUR) and of US Dollar to British Pound (GBP). The following exchange rates have been used for the currency translation in the years presented:

	USD to EUR		USD to GBP	
	06/30/2009	06/30/2008	06/30/2009	06/30/2008
Current Rate Year End	.712	.633	.606	.499
Average Rate for the Year	.750	.654	.672	.508

Basis of Consolidation and Consolidated Companies

The consolidated financial statements include the legal parent company, artnet AG, its wholly owned subsidiary Artnet Corp. and the 100 % subsidiaries of Artnet Corp., artnet UK Ltd. and artnet France SARL. 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 1, 2007, Artnet Corp. established artnet UK Ltd. which is a wholly owned subsidiary and acts as a sales agent for Artnet Corp. in the United Kingdom.

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

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

Treasury Shares

As of June 30, 2009 and 2008 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.

Segment Reporting

The Groups reportable segments are as follows:

- The *artnet Gallery Network* segment provides services to galleries by posting the galleries available works of art online.
- The *artnet Price Database* segment includes the fine art and decorative art price database sales including the imageless search as well as sales generated from the *artnet Market Alert* , the *artnet Market Data Reports* and the *artnet Artist Works Catalogs*.
- The Advertising segment produces banner and national advertising on the website.
- The Other segment includes the French, German and United States Magazine revenue and costs and the *artnet Online Auctions* which provides an online platform to buy and sell artworks.

Management monitors the profit/(loss) before tax of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit or loss before taxes.

Period Ended June 30, 2009	artnet Gallery Network	artnet Price Database	Advertising	Other	Total
Revenue EUR	2.743.214	2.491.823	791.351	360.115	6.386.503
Profit/(Loss) before Tax EUR	584.979	480.308	249.106	(1.414.823)	(100.430)

Period Ended June 30, 2008	artnet Gallery Network	artnet Price Database	Advertising	Other	Total
Revenue EUR	2.436.492	2.304.705	924.180	171.250	5.836.627
Profit/(Loss) before Tax EUR	567.137	541.741	377.419	(1.050.395)	435.902

Earnings per Share

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

	Period Ended 06/30/2009	Period Ended 06/30/2008
	EUR	EUR
Numerator (Earnings):		
Net Profit/(Loss) for the Six Months Retained for Equity Shareholders	(87.210)	844.357
Denominator (Number of Shares):		
Weighted Average Number of Ordinary Shares Used to Calculate Basic Earnings per Share (Issued and Fully Paid Ordinary Shares)	5.552.986	5.552.986
Effect of Potential Shares: Stock Options	111.000	156.000
Weighted Average Number of Ordinary Shares Used to Calculate Dilutive Earnings per Share	5.663.986	5.708,986

Employees

On June 30, 2009 artnet had 108 full-time employees compared to 99 in 2008, second quarter. The Group employed 17 part-time employees compared to 13 on June 30, 2008 and 12 sales representatives and consultants compared to 17 in the second quarter of 2008.

Accounting Estimates and Assumptions

The preparation of the consolidated financial statements necessitates estimates and assumptions that influence assets and liabilities, income and expenses, as well as, information in the notes to the financial statements. Actual results and developments may differ from those estimates and assumptions.
Estimates made by management that have a significant effect on the interim consolidated financial statements include the recognition of deferred tax assets and of development costs, the measurement of accruals, the useful lives of non-current assets and the assessment of bad debt provisions on accounts receivables.

Report on Post-Balance Sheet Events

No other significant events occurred after the balance sheet date of the interim period that are required to be reported in the Management Report.

Berlin, July 31, 2009

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Hans Neuendorf

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John Hushon
Chairman
Dr. Christian Dohm
Deputy Chairman
Hannes von Goesseln
Board of Management
Hans Neuendorf
Chief Executive Officer

Artnet Worldwide Corp.
Board of Directors
Hans Neuendorf
Chief Executive Officer
B. William Fine
President
Management
B. William Fine
President
Walter Robinson
Editor in Chief, artnet magazine

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Investor Relations
You can find information for investors and the annual financial statements at www.artnet.de/IR.
If you have further queries, please send an e-mail to ir@artnet.com
or send your inquiry by mail to one of our offices.

Information on artnet Stock
The common stock of artnet AG is traded on the Prime Standard of the Frankfurt Stock Exchange under the symbol AYD.
You can find ad-hoc disclosures on relevant company developments at www.artnet.de/about/inthenewsg.asp.

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