



- English Translation -

Interim Report on the 1st Half Year 2007

August 10, 2007

**design hotels AG Reports Results of the 1st Half Year 2007
Operating Profit Improved by 68 Percent; Revenues Increased by 17 Percent**

Berlin – design hotels AG (Regulated Market, Munich: LBA; ISIN: DE0005141006), integrated provider of marketing and positioning services for individually managed hotels and small hotel groups in the New Luxury Segment, reports the unaudited results for the 1st half year 2007.

Financial Highlights for the design hotels Group:

In the first six months, **revenues** increased by approx. 17 percent to 3.53m Euro (previous year: 3.02m Euro).

The **gross profit margin** improved to 75 percent compared to 67 percent in the first six months of the previous year.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) reached approx. 622,000 Euro in the first six months, compared to 209,000 Euro in the same period last year. In the second quarter, extraordinary income in the amount of 271.443.20 Euro was generated due to a charge-off of liabilities. The operating profit without the extraordinary income amounted to approx. 351,000 Euro, which reflects a 68 percent increase. The adjusted **EBITDA margin** amounted to 9.9 percent (previous year 6.9 percent).

Earnings before Interest and Taxes (EBIT) reached approx. 552,000 Euro; considering the adjustment due to the extraordinary income EBIT amounted to 281,000 Euro. The adjusted EBIT shows an improvement of 59 percent compared to 177,000 Euro of the previous year.

Net profit amounted to approx. 602,000 Euro; the adjusted **net profit** amounted to 331,000 Euro. The adjusted net profit improved by 86 per cent compared to 178,000 Euro of the previous year.

As per June 30, 2007, the company had **liquid funds** in the form of cash and short-term deposits of 1.44m Euro. In the first six months, a positive **cash flow** of 49,000 Euro was generated.

Earnings per share amounted to approx. 0.07 Euro (previous year: 0.02 Euro) in the reporting period.

Additional Notes:

Claus Sendlinger, CEO of design hotels AG, comments as follows: "The company shows a very positive development in all business areas. Commission business continues to be the major contributor to increased revenues and earnings. In the second quarter, for the first time in the company's history, commission revenue exceeded the 1 million Euro threshold due to an increased number of bookings in all reservation channels. We are also very content with the increase in the number of member hotels to 164. Most new member hotels, which joined the portfolio in the first six months, are in European destinations. We anticipate, however, a considerable impulse from the Asian market in the second half of the year. We expect to expand our portfolio to over 170 hotels and to continue growth in all areas. Over the next couple of months we will focus on strengthening the brand and growing our distribution network."

Highlights and Key Performance Indicators in the First Six Months:

Revenue Development

The **total revenues** in the amount of 3.53m Euro were distributed among the two business segments as follows: **Membership Fees** amounted to 856,000 Euro (+12 percent); **Commissions/Marketing Products** contributed 2.67m Euro (+18 percent).

Again, commissions for bookings showed the biggest growth with a 20 percent increase compared to the same period of last year. The number of direct connectivity agreements with online travel portals could be increased to 13 by June 30, 2007.

In the first six months, the **number of bookings** increased by 21 percent. The booking volume amounted to approx. 32m Euro, which shows a 24 percent increase. The **conversion ratio**, i.e. the ratio between bookings generated through design hotels channels and total available inventory, reached 6.3 percent in the reporting period.

The **number of member hotels** increased from 153 at the end of the previous financial year to 164 hotels. Most of the new member hotels are in European destinations.

Gross Profit

The improvement of the gross profit margin from 67 to 75 percent reflects the continuous efforts of the company to improve the cost structure. However, due to the revenue structure in the respective reporting periods the gross profit margin will continue to vary with quarterly fluctuations.

Cost Development

Total **operating expenses** (staff, marketing, distribution, and other administrative expenses) amounted to 2.34m Euro in the first six months, which reflects a 21 increase compared to 1.94m Euro in the same period last year. Costs increased due to the general growth of the company.

As per June 30, 2007, the **number of employees** amounted to 45 compared to 38 in the same period of the previous year. Revenue per employee was slightly below last year's level and amounted to 78,000 Euro (previous year 80,000 Euro).

Outlook

In the upcoming months the company will continue to focus on improving the existing products and services. This includes the definition of new design hotels™ brand standards and their implementation in the member hotels. At the same time, presence of the design hotels™ brand on property shall be improved to further a qualitative classification by the brand design hotels™ in addition to the categorisation by concept. Furthermore, direct distribution to the end consumer will be intensified by expanding the functionality on the company's internet portal www.designhotels.com and further cooperation with other internet portals. Last but not least, the company will continue to build and expand the new business fields brand development and hotel development.

Interim Group Management Report 1st Half Year 2007 - design hotels AG

General Business Situation

The general business conditions for the international tourism industry remained positive in the first half year. Based on the positive worldwide economic situation and growth, the tourism industry showed a better progress than projected. For the first four months, the World Tourism Organisation (UNWTO) reported an increase in arrivals of more than 6 percent. The outlook for the rest of the year remains equally positive.

Net Assets, Financial Position, and Results of Operations

In the first six months of the new financial year, design hotels AG continued the positive development of the last two years. Revenues could be increased by 17 percent compared to the same period of 2006. All business areas contributed to this positive development. Operating profit before and after tax was again increased above average. In addition, the company generated extraordinary income in the amount of 271,443.20 Euro due to a charge-off of liabilities which existed to AGK Niklas Ltd. This led to a further enhancement of the balance sheet structure. The equity ratio increased from approx. 64 percent on 31.12.2006 to 73 percent on 30.06.2007. The company had no liabilities to banks. Within the first six months an accrual of liquid funds in the amount of 49,000 Euro was generated.

In the first half year of 2007, total staff expenses amounted to 1.36m Euro (previous year 1.20m Euro). In the group, the average number of employees was 45 (previous year 38). Revenue per employee decreased from 80,000 Euro to 78,000 Euro compared to the same period in the previous year.

Report on Risks and Opportunities

Compared to the risk report for the financial year 2006 no changes in the individual or market risks can be reported for the first half year 2007. Furthermore, no additional risks arose which jeopardise the continuation of the company.

Outlook

The current business situation and results confirm the planning for the business year 2007. Management expects a further two-digit growth in revenues and profits. Furthermore, a considerable increase in the number of member hotels is anticipated.

The following tables show in detail the development of revenues and results.

Group Overview (unaudited)
According to IFRS

Consolidated Profit and Loss Statement (in Thousand Euro)

	Total per 30.06.2007		2 nd Quarter	
	2007	2006	2007	2006
Revenues				
Annual Membership Fees	856	764	451	377
Commissions	2.000	1.669	1.081	904
Marketing Products/Consulting	669	588	379	300
Others	0	0	0	0
	3.525	3.021	1.911	1.581
Cost of Sales	866	982	450	466
Gross Profit	2.659	2.039	1.461	1.115
Staff Expenses	1.362	1.202	686	592
Selling Expenses	436	263	265	150
Administrative Expenses	544	472	308	305
Total Operating Expenses	2.342	1.937	1.259	1.047
Other Operating Income	305	107	298	61
EBITDA	622	209	500	129
EBIT	552	177	465	113
EBT	552	178	465	114
After-tax Profit	602	178	515	114
Average Number of Employees	45	38	46	38
Revenue per Employee	78	80	42	42

Consolidated Statement of Cash Flow (in Thousand Euro)

	Total as per 30.06.2007		2 nd Quarter	
	2007	2006	2007	2006
EBITDA from Profit and Loss Statement	352	209	230	130
Cash flow from Investing Activities	-29	-15	-12	-1
Balance Trade Payables vs. Trade Receivables	-273	-235	-36	-277
Changes in Securities Portfolio	-1	-56	-1	-67
Change of Liquid Funds	49	-97	181	-215
Liquid Funds at the Beginning of the Period	1.392	1.198	1.260	1.316
Liquid Funds at the End of the Period	1.441	1.101	1.441	1.101
Bonds and Guarantees	128	70	128	70
Available Liquid Funds	1.313	1.031	1.313	1.031

Consolidated Balance Sheet

Assets	As per 30.06.2007		As per 31.12.2006	
	EUR	EUR	EUR	EUR
Long-term Assets				
Fixed Assets	255.768,05		295.995,94	
Deferred Taxes	2.381.000,00	2.636.768,05	2.381.000,00	2.676.995,94
Short-term Assets				
Inventory	153.539,05		178.804,76	
Accounts Receivable	1.395.998,23		1.109.233,95	
Other Assets	49.880,64		200.285,35	
Liquid Funds and Securities	1.441.118,51	3.040.536,43	1.390.937,88	2.879.261,94
Total Assets		5.677.304,48		5.556.257,88
Liabilities and Shareholder's Equity				
Shareholder's Equity Capital				
Share Capital	8.972.072,00		8.972.072,00	
Cumulated Other Equity Capital	-1.924.712,63		-1.924.712,63	
Net Loss	-2.897.791,14	4.149.568,23	-3.499.907,36	3.547.452,01
Long-term Liabilities				
Deferred Taxes	0,00	0,00	50.000,00	50.000,00
Short-term Liabilities				
Accruals	350.980,59		469.080,93	
Down-payments	250.968,92		146.086,30	
Accounts Payable	341.598,11		797.699,20	
Other Liabilities	584.188,63	1.527.736,25	545.939,44	1.958.805,87
Total Liabilities		5.677.304,48		5.556.257,88

Consolidated Statement of Change in Equity

	Paid in Capital	Other Cumulated Equity Capital	Net Loss	Total
	in EUR	in EUR	in EUR	in EUR
As per 01.01.2006	8.972.072,00	-29.518,20	-8.200.580,55	741.973,25
Regrouping				0,00
Variance due to Currency Conversion				0,00
Group Annual Net Profit			177.733,00	177.733,00
As per 30.06.2007	8.972.072,00	-29.518,20	-8.022.847,55	919.706,25

	Paid in Capital	Other Cumulated Equity Capital	Net Loss	Total
	in EUR	in EUR	in EUR	in EUR
As per 01.01.2007	8.972.072,00	-1.924.712,63	-3.499.907,36	3.547.452,01
Regrouping				0,00
Variance due to Currency Conversions				0,00
Consolidated Annual Net Profit			602.116,22	602.116,22
As per 30.06.2007	8.972.072,00	-1.924.712,63	-2.897.791,14	4.149.568,23

Notes to the Report for the 1st Half Year 2007

General Information

The report was prepared in accordance with the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) previously published by the International Accounting Standards Committee (IASC). The standards and interpretations valid on January 1, 2007 have been applied. The interim financial report and the interim management report have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Consolidation

The consolidation group of design hotels AG remained unchanged from that listed in the 2006 annual statement.

Accounting and Valuation Principles

The accounting and valuation principles used correspond as a rule to those applied in the last consolidated statement at the end of the financial year. A detailed description of the methods was published in the 2006 annual report.

Other Information

Events after conclusion of the reporting period: After conclusion of the reporting period, no events have occurred which have an impact on the net assets, financial position, and results of operations of design hotels AG.

Profit and Loss Statement: design hotels AG generate revenues in the segments commissions and membership fees. Revenues from services are realised according to IAS 18 after rendering of the service and in case the company can realise the profit. All discounts and allowances are deducted from the revenues. The annual membership fees, which are paid in advance by the member hotels, are deferred over the months of the reporting period as deferred income.

Earnings per Share: Earnings per Share (EPS) were determined in accordance with IAS 33. EPS must be determined for all companies whose equity shares are traded in a public marketplace. Undiluted EPS is the ratio between the periodical result attributed to the equity shares of the parent company (enumerator) and the weighted average of the equity shares which are in circulation in the reporting period (denominator).

Business with closely associated persons: In the reporting period, no considerable business with members of the Executive Board, members of the Supervisory Board or persons closely related was conducted by the company.

Own Shares: design hotels AG currently holds no own shares.

Members of the Supervisory Board: In the annual shareholder meeting on June 28, 2007, Heinz Horrmann, journalist and author, and Holger Loesch, executive, were appointed members of the supervisory board and filled the positions of Peter Wackerbauer and Thomas Willms, who had resigned in 2006.

Confirmation by the Legal Representatives

To the best of my knowledge and 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 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.

Claus Sendlinger, 10 August 2007

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design hotels AG (formerly: lebensart global networks AG) is an integrated provider of communication and positioning services and acts as a consultant for individually managed hotels and small hotel groups. The service range of design hotels begins with the concept for a hotel. Clients of design hotels AG can choose from a modular service portfolio. With the brand design hotels™ the company currently represents and markets a unique collection of over 160 individual hotels in more than 40 countries. Through its marketing and communication activities design hotels AG forms the connection between the member hotel and a global clientele looking for self-determination and individuality.

www.designhotels.com, ISIN : DE0005141006, Munich Stock Exchange (Regulated Market)