



# design hotels™

- ENGLISH TRANSLATION -

Report on the 1<sup>st</sup> Quarter 2007

May 14, 2007

## design hotels AG Reports 1<sup>st</sup> Quarter Results 2007

### Earnings Before Taxes Improved by 36 Percent, Revenues Increased by 12 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 1<sup>st</sup> quarter 2007.

#### Financial Highlights for the design hotels Group:

In the first three months, **revenues** increased by approx. 12 per cent to 1.61m Euro (previous year: 1.44m Euro).

The **gross profit margin** improved to 74 per cent compared to 64 per cent in the 1<sup>st</sup> quarter of the previous year.

**Earnings before Interest, Taxes, Depreciation and Amortisation** (EBITDA) reached approx. 122,000 Euro in the first three months, which is an improvement of 53 per cent compared to 80,000 Euro in the previous year. The **EBITDA margin** reached 7.6 per cent.

**Earnings before Interest and Taxes** (EBIT) reached approx. 87,000 Euro, which is an improvement of 36 per cent compared to 64,000 Euro in the previous year.

**Net profit** amounted to approx. 87,000 Euro, which shows an improvement of 36 per cent compared to 64,000 Euro in the previous year.

As per March 31, 2007, the company had **liquid funds** in the form of cash and short-term deposits in the amount of 1.26m Euro. There was a negative **cash flow** in the first three months of 132,000 Euro.

The **earnings per share** amounted to approx. 0.01 Euro in the 1<sup>st</sup> quarter (previous year: 0.01 Euro).

#### Additional Notes:

Claus Sendlinger, CEO of design hotels AG, comments as follows: “The 1<sup>st</sup> quarter of the new year shows again an improvement in revenues and earnings compared to the same period in the previous year. Despite cautious investment in the new business field and manpower we were able to improve the results. Although we did not sign a hotel development contract in the 1<sup>st</sup> quarter, we are contented with the interest and response from investors. There is a continuously strong interest of investors in the hotel market in general, and in particular in the niche market of boutique hotels. We expect to continue the current growth over the coming months.”

#### Highlights and Key Performance Indicators in the First Three Months:

##### Revenue Development

Again, **commissions for bookings** show the biggest growth with a 20 per cent increase compared to the same period of the previous year. Total revenues amounted to 1.61m Euro and were distributed among the two business segments as follows: membership fees amounted to 405,000 Euro (+5 per cent); commissions/marketing products contributed 1.21m Euro (+15 percent).

The **number of member hotels** amounted to 156 hotels as per March 31, 2007, compared to 153 at the end of the previous fiscal year. Three properties left the portfolio while new member hotels in Gothenburg, Paris and four hotels in Italy joined the group.

In the first three months, the **number of bookings** increased again by 15 per cent. The booking volume amounted to approx. 16m Euro, which is also a 15 per cent increase. The **conversion ratio**, i.e. the ratio between bookings generated through design hotels channels and total available inventory, reached 6.20 per cent in the reporting period.

### **Gross Profit**

The improvement of the gross profit margin from 64 to 74 per cent reflects the continuous efforts of the company to improve the cost structure. However, the gross profit margin will continue to be influenced by quarterly fluctuations due to the revenue structure in the respective reporting periods.

### **Cost Development**

Total **operating expenses** (staff, marketing, distribution, and other administrative expenses) amounted to 1.08m in the first three months, which equals a 28 per cent increase compared to 0.84m Euro in the same period last year. The considerable increase of administrative expenses is mainly due to increased rental costs for the offices in Berlin and London, as well as additional expenses for the office in Singapore, which was opened in the course of 2006. The marketing and distribution activities in the 1<sup>st</sup> quarter again focussed on further improving the internet presence, strengthening the brand presence in the member hotels and on customer relations.

The **number of employees** was considerably increased compared to the previous year and reached 44 employees as per March 31, 2007, compared to 38 in the same period of 2006. Revenue per member of staff remained stable at 37,000 Euro (previous year: 38,000 Euro).

Detailed numbers on the revenue and profit development are shown in the following charts.

### **Contact:**

design hotels AG  
Claus Sendlinger (CEO)  
Stralauer Allee 2c, 10245 Berlin  
Tel. +49 (0)30 420 940-30  
Fax +49 (0)30 259 330-17  
[ir@designhotels.com](mailto:ir@designhotels.com)

Schwarz Financial Communication  
Frank Schwarz  
Tel. +49 (0)611 17453 9811  
Fax +49 (0)611 17453 9829  
[schwarz@schwarzfinancial.com](mailto:schwarz@schwarzfinancial.com)

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 154 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](http://www.designhotels.com), ISIN : DE0005141006, Munich Stock Exchange (Regulated Market)

Group Overview (unaudited)  
According to IFRS

Profit and Loss Statement

		Total per 31.03.2007		1st Quarter	
		2007	2006	2007	2006
<b>Revenues</b>					
Annual Membership Fees	TEuro	405	387	405	387
Commissions	TEuro	919	765	919	765
Marketing Products/Consulting	TEuro	290	288	290	288
Others	TEuro	0	0		0
	TEuro	<b>1.614</b>	1.440	<b>1.614</b>	1.440
Cost of Sales	TEuro	416	516	416	516
<b>Gross Profit</b>	TEuro	<b>1.198</b>	924	<b>1.198</b>	924
Staff Expenses	TEuro	676	610	676	610
Selling Expenses	TEuro	171	113	171	113
Administrative Expenses	TEuro	236	121	236	121
<b>Total Operating Expenses</b>	TEuro	<b>1.083</b>	844	<b>1.083</b>	844
<b>Other Operating Expenses</b>	TEuro	7	0	7	0
<b>EBITDA</b>	TEuro	<b>122</b>	80	<b>122</b>	80
<b>EBIT</b>	TEuro	<b>87</b>	64	<b>87</b>	64
<b>EBT</b>	TEuro	<b>87</b>	64	<b>87</b>	64
<b>After-tax profit</b>	TEuro	<b>87</b>	64	<b>87</b>	64
Average Number of Staff		44	38	44	38
Revenues per Staff Member	TEuro	37	38	37	38

<b>Group Cash Flow Statement</b> (unaudited)		<b>Total as per</b>		<b>1st Quarter</b>	
		<b>31. März</b>			
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
EBITDA from Profit and Loss Statement	TEuro	122	80	122	80
Cash flow from Investing Activities	TEuro	-17	-14	-17	-14
Balance Trade Payables vs. Trade Receivables	TEuro	-237	42	-237	42
Changes in Securities Portfolio	TEuro	0	10	0	10
<b>Change of Liquid Funds</b>	TEuro	<b>-132</b>	<b>118</b>	<b>-132</b>	<b>118</b>
Liquid Funds at the Beginning of the Period	TEuro	1.392	1.198	1.392	1.198
<b>Liquid Funds at the End of the Period</b>	TEuro	<b>1.260</b>	<b>1.316</b>	<b>1.260</b>	<b>1.316</b>
Bonds and Guarantees	TEuro	125	82	125	82
<b>Available Liquid Funds</b>	TEuro	<b>1.135</b>	<b>1.234</b>	<b>1.135</b>	<b>1.234</b>

**Group Balance Sheet**

According to IFRS

<b>Assets</b>	31.03.2007		31.12.2006	
	EUR	EUR	EUR	EUR
<b>Long-term Assets</b>				
Fixed Assets	292.824,36		295.995,94	
Deferred Taxes	<u>2.381.000,00</u>	2.673.824,36	<u>2.381.000,00</u>	2.676.995,94
<b>Short-term Assets</b>				
Inventory	193.968,36		178.804,76	
Accounts Receivable	1.408.044,45		1.109.233,95	
Other Assets	125.500,63		200.285,35	
Liquid Funds and Securities	<u>1.260.144,47</u>	2.987.657,91	<u>1.390.937,88</u>	2.879.261,94
<b>Total Assets</b>		<b>5.661.482,27</b>		<b>5.556.257,88</b>
<b>Liabilities</b>				
<b>Equity Capital</b>				
Subscribed Capital	8.972.072,00		8.972.072,00	
Cumulated Other Equity Capital	-1.924.712,63		-1.924.712,63	
Net Loss	<u>-3.412.876,13</u>	3.634.483,24	<u>-3.499.907,36</u>	3.547.452,01
<b>Long-term Liabilities</b>				
Deferred Taxes	<u>50.000,00</u>	50.000,00	<u>50.000,00</u>	50.000,00
<b>Short-term Liabilities</b>				
Accruals	268.377,45		469.080,93	
Down-payments	240.527,80		146.086,30	
Accounts Payable	919.695,15		797.699,20	
Other Liabilities	<u>548.398,63</u>	1.976.999,03	<u>545.939,44</u>	1.958.805,87
<b>Total Liabilities</b>		<b>5.661.482,27</b>		<b>5.556.257,88</b>