Annual Report 2007
Consolidated Financial Statements

Steigenberger Hotels Aktiengesellschaft

InterCityHotel

a step into excellence

STEIGENBERGER
HOTELS AND RESORTS

Facts and Figures 2007

Steigenberger at a Glance

		2007	2006	2005
Sales in € million				
	Steigenberger Hotel Group	484.4	458.7	429.8
	Group	379.2	378.9	366.7
	Consolidated group	275.7	282.0	263.9
Workforce total				
	Steigenberger Hotel Group	6,586	5,580	5,122
	Group	4,323	4,378	4,181
	Consolidated group	2,852	2,941	2,953
Hotels total				
	Steigenberger Hotel Group	82	82	76
	Group	61	62	61
	Consolidated group	46	47	47
Hotel rooms total				
	Steigenberger Hotel Group	14,283	13,960	12,850
	Group	9,972	10,128	10,348
	Consolidated group	7,498	7,607	7,671
Rooms sold total				
	Steigenberger Hotel Group	3,293,359	3,054,200	2,931,201
	Group	2,361,291	2,378,444	2,379,119
	Consolidated group	1,810,775	1,851,548	1,759,890
Occupancy rate in %				
	Steigenberger Hotel Group	64.5	63.7	62.3
	Group	64.9	64.5	63.0
	Consolidated group	66.5	66.2	64.4

The Steigenberger Hotel Group comprises, in the report, all the leased, management and franchised hotels, and also the restaurants and other operations ("Group" plus franchised hotels).

The term "group" (Gruppe) refers to the Steigenberger Hotel Group excluding the franchised hotels (i.e. the "consolidated group" plus the management hotels).

The term "consolidated group" (Konzern) is used for the stock corporation Steigenberger Hotels Aktiengesellschaft plus the subsidiaries in Germany and abroad.

Steigenberger Hotels Aktiengesellschaft – Consolidated group	2007	2006	2005
External sales in € million	275.7	282.0	263.9
Accommodation in %	58.6	59.0	52.4
Restaurants in %	33.9	35.5	37.1
Other operations in %	7.5	5.5	10.5
EBITDA in € million	15.8	9.6	9.6
EBIT in € million	6.7	2.0	2.3
EBT in € million	5.2	0.9	0.9
Net profit in € million	0.2	0.4	0.2
Capital expenditure in € million	23.6	13.8	8.4
Capital expenditure + expenses for assets maintenance (R+I) + major construction work in € million	44.7	31.2	17.4
Total assets in € million	99.3	97.4	102.1
Shareholder equity in € million	16.5	16.5	15.9
Shareholder equity as % of total assets	16.6	16.9	15.6
Operating cashflow in € million	18.8	11.5	11.2
Net credit liabilities in € million	–1.6	1.1	3.4

Members of the Supervisory and the Management Board

Supervisory Board

Dr. Ralf Corsten
(Chairman)
Seeheim
Attorney

Hans Kimm*
(Deputy Chairman)
Neuberg
Hotel Management Officer,
Steigenberger Hotels Aktiengesellschaft

Frauke Dittmann*
Hamburg
Ex-member of the Executive Board of the
Catering and Restaurants labor union
(till Dec 31, 2007)

Klaus-Peter Müller
Bad Homburg v.d.H.
Spokesman for the Management Board of
Commerzbank Aktiengesellschaft,
Bank Management Officer

Günter Poppelreuter*
Frankfurt am Main
Head of Group Purchases,
Steigenberger Hotels Aktiengesellschaft

Michaela Rosenberger*
Hamburg
Deputy Chairwoman of the
Catering and Restaurants labor union
(since Jan 1, 2008)

Klaus Schroeter*
Hamburg
Head of the Wages Department of the
Catering and Restaurants labor union

Anne-Marie Steigenberger
Frankfurt am Main
Business Management Officer

Bettina Steigenberger
Frankfurt am Main
Business Management Officer

Christine Steigenberger
Frankfurt am Main
Business Management Officer

Claudia Steigenberger
Frankfurt am Main
Business Management Officer

Willi Vetter*
Stuttgart
Pastry Chef,
Steigenberger Hotels Aktiengesellschaft

Holger Wilhelm*
Florstadt
Chairman of the Works Council
of the Steigenberger Hotels Aktiengesellschaft,
Division Director Airport Restaurants
Frankfurt am Main,
Hotel Management Officer

*Employee representatives

Management Board

André Witschi
(since Feb 1, 2008)
Bad Soden
Board Chairman, operations of all hotels and restaurants, human resources, corporate development, corporate communications, sales/distribution, marketing, quality management

Matthias Heck
Rosbach v. d. Höhe
Board member for finances and accounting, controlling and report system, data protection, IT, cost accounting, law/committees/insurance, purchase and procurement, construction/installations/technical equipment, environment protection

Karl Anton Schattmaier
(up to Jan 31, 2008)
Frankfurt am Main
Board Spokesman, work processes director, operations of all hotels and restaurants, human resources, corporate development, corporate communications, sales/distribution, marketing, environment protection

Executive Personnel

Group executive management

Marcus Bernhardt
Taunusstein
Steigenberger Business Hotels

Joachim Marusczyk
Frankfurt am Main
InterCityHotels

Frank Oettinger
Offenbach
Steigenberger Resort Hotels

Plenipotentiary Agent

Claus-Dieter Jandel
Dreieich-Götzenhain
Human Resources/Projects/Restaurants

Directors at consolidated group headoffice

Jochen Bausback
(since March 1, 2008)
Frankfurt am Main
Business Development

Rolf-Peter Berg
Niederreifenberg
New Projects

Alexa Bremer
Frankfurt am Main
Marketing

Andreas Elvers
Frankfurt am Main
Human Resources

Angelika Heyer
Frankfurt am Main
Corporate Communications

Wolfgang Limmer
Kelkheim a.Ts.
Finances & Accounts

Udo Merting
Dreieich-Offenthal
Controlling & Reporting

Günter Poppelreuter
Frankfurt am Main
Purchase and Procurement

Alfred Sauer
Frankfurt am Main
IT

Hans W. Zühlke
Florstadt
Construction/Installations/Technical equipment

Supervisory Board Report

During the 2007 financial year the Supervisory Board was informed by the Management Board, continuously, promptly and comprehensively, about the condition of the company, its business operations and corporate policy, and was, on that basis, able to supervise the business management of the company. The meetings were attended, with few exceptions, by the members of the Supervisory Board. In case of absence they participated in the resolutions of the Supervisory Board by voting in writing. Furthermore there were regular meetings between the Chairman of the Supervisory Board and the Management Board. The personnel committee met three times.

The Supervisory Board concerns itself with corporate planning, especially with financial and investment planning, with alterations to the hotel portfolio and with the placement of auditing orders. Reports were submitted to the Supervisory Board on new planning concepts for the Resort Hotels segment, the customer retention strategy (CRS), contract management and the further development of the internal controls system.

On the basis of detailed written and oral reports the Supervisory Board satisfied itself that the Management Board is managing the company's business duly and correctly and that the steps that proved to be necessary were taken effectively and promptly.

Business transactions which in pursuance of law, articles of incorporation and the company's rules of procedure require the approval of the Supervisory Board were submitted, approved and carried out duly and correctly.

The annual financial statements of the Steigenberger Hotels Aktiengesellschaft, drawn up by the Management Board, the consolidated financial statements for December 31, 2007 and the Management Board reports for the Steigenberger Hotels Aktiengesellschaft and the consolidated group for the 2007 financial year were audited by PricewaterhouseCoopers Aktiengesellschaft in Frankfurt am Main, appointed as auditors by the ordinary general meeting of May 14, 2007, and were given the unqualified approval of the auditors.

These financial statements were also examined by the Supervisory Board. The auditor's report on the audit of the annual and consolidated financial statements was submitted to all members of the Supervisory Board before the financial statements meeting of the Supervisory Board on April 15, 2008. It was comprehensively dealt with in that meeting, in which the auditors took part and reported on their audit of the annual and consolidated financial statements. The Supervisory Board gave its approval to the auditors' report and, in accordance with its conclusions reached after its own scrutiny, entered no objections.

The Supervisory Board gave its approval to the annual financial statements of the Steigenberger Hotels Aktiengesellschaft drawn up by the Management Board. The annual financial statements have thus been formally established. Approval was also given to the consolidated financial statements and the financial dependence report. The Supervisory Board declares its assent to the Management Board reports for the Steigenberger Hotels Aktiengesellschaft and the consolidated group.

The Management Board submitted the following two reports to the Supervisory Board: its report on relations with affiliated companies under Art. 312 AktG (German Stock Corporation Act) and the auditors' report made out by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft in Frankfurt am Main under Art. 313 AktG (German Stock Corporation Act). The auditors' certificate of approval reads as follows:

"Following our mandatory auditing and assessment we confirm that

1. the statements of fact in the report are correct,
2. the payments made by the company in relation to the legal transactions listed in the report were not inappropriately high."

The Supervisory Board gives its approval to the report, audited by the auditing company, on relations with affiliated companies and to the auditors' report drawn up on that subject. According to the final conclusions of that audit, there are no objections to be raised to the declarations of the Management Board on relations with affiliated companies.

There were changes in both the Management Board and the Supervisory Board. Mr. André Witschi was appointed to the Management Board as its Chairman with effect from February 1, 2008. Mr. Karl Anton Schattmeier, having been a member of the Management Board since September 1994 and the company's Spokesman since 1998, retired from service of the company as of January 31, 2008. The Supervisory Board thanks Mr. Schattmeier for his long and committed service as a Management Board member. By decision of the Frankfurt am Main District Court of November 22, 2007 Ms. Michaela Rosenberger was appointed to the Supervisory Board in succession to Ms. Frauke Dittmann as employee representative. The Supervisory Board thanks Ms. Dittmann, who resigned from the Supervisory Board with effect from December 31, 2007, for her 14 years of meritorious service to that body.

The Supervisory Board wishes to express its gratitude and esteem to the Management Board, the management executives and the staff of the companies included in the Steigenberger group for their work and their high level of commitment during the completed financial year.

Frankfurt am Main,
April 15, 2008

The Supervisory Board

Dr. Ralf Corsten
Chairman

Survey of the Financial Year

Virtually no change in hotel portfolio

After termination of the lease for the Bad Orb hotel and the acquisition of the Steigenberger Nile Palace in Egypt, Steigenberger's hotel portfolio continues to consist of 82 hotels.

Price rises push up sales figure

In spite of the net acquisition of 323 new hotel rooms, the increase in the number of rooms sold to 3.3 million overnight stays had a positive impact on the occupancy rate for the Steigenberger Hotel Group, which went up by 0.8 per cent to 64.5%. In addition the hotels were able to raise average room return by 3.3% in the year under review. The revenue per available room (RevPAR) rose by 3.9% to € 55.44.

Total sales revenue for the Steigenberger Hotel Group (consolidated group plus management and franchised hotels) went up by € 25.7 million to € 484.4 million in the year under review.

Further rise in profitability

The gross operating profit (GOP) of the hotels in the Steigenberger Group (excluding the franchised hotels) improved in the year under review, rising to € 105.4 million. The ratio of GOP to sales revenue is 29.2%, which makes it 0.3 per cent above the level of the previous year.

The consolidated group's EBITDA grew from € 9.6 million in the previous year by € 6.2 million to € 15.8 million. The ratio of EBITDA to consolidated group sales is 5.7%, as against 3.4% in the year before. The consolidated group operating profit (EBIT) was € 6.7 million in the year under review.

Consolidated group's capital expenditure programme continued on schedule

The capital expenditure programme established in 2005 was continued as scheduled in the year under review. The largest single projects in the programme in 2007 were the renovation of the Executive Tower and the construction of a conference unit in the Steigenberger Airport Hotel at the Frankfurt Airport. Extensive renovations were completed at the Steigenberger Hotel Belvédère in Davos, Switzerland. The total invested by Steigenberger in 2007 was € 44.7 million after € 31.2 million in the previous year.

No net credit debt for Steigenberger

In spite of increased capital expenditure there was a further reduction in indebtedness in the review year. As of the balance sheet date the consolidated group did not have any loans from banks. Cash and cash equivalents of € 9.3 million should be set against a shareholder loan unchanged at € 7.7 million.

General Economic Conditions

According to the DIW (German institute for economic research) in Berlin, world economic growth continued to be robust in spite of the crisis on the USA's mortgage markets. It is not yet possible to give the all clear, since it is not apparent how severe the adverse effects of the crisis actually are. However, the findings available to date, according to the institute, indicate that growth will be less dynamic and is likely to remain moderate in most countries. The initial estimates of the German Federal Statistical Office state that the German economy, measured by gross domestic product (GDP), grew by 2.5% in 2007, thanks to booming exports and heavy corporate investment. For the first time in years the country posted a balanced budget. In 2006 GDP went up by 2.9%, according to the latest, most recently corrected data from the statisticians. Powerful growth impulses came from the companies last year, with their capital expenditure rising by 8.4%. Germany, export world champion, pushed up its exports by 8.3%. 1.4% of the 2.5% GDP growth was contributed by exports.

The general economic environment, which was widely regarded as positive in character, had a clear impact on the hotel business in Germany. Sales development was as expected, with a nominal plus of 1.3%. The average room price was unchanged at € 85, while the room occupancy rate went up by 1.8% to 63.9%. The brand name hotels and the business hotels segments are writing a success story. The Federal Statistical Office reports that the number of overnight stays rose by 3.1% to 214.7 million. Special mention should be made of a further rise in the number of foreign guests, with a plus of 3.8%. The number of hotel rooms in Germany continues to go up. The hotel construction business, which has been booming for some years now, is still going strong in the most promising locations. According to the German hotel association, 2007 saw the addition of 3,088 new hotel rooms, a gain of 0.2%. The planning is for 365 new hotels with a total of 48,000 rooms to be built in the next three years, the bulk of them in the four and five star categories.

Business Development

Sales development

	2007	2006	Change	
	€ million	€ million	€ million	%
Steigenberger consolidated group	275.7	282.0	–6.3	–2.2
Steigenberger group	379.2	378.9	0.3	0.1
thereof, hotels	360.5	356.6	3.9	1.1
Steigenberger Hotel Group	484.4	458.7	25.7	5.6

With a view to making the annual financial statements more informative and due to the first comprehensive application of the “Uniform Accounting and Valuation Guideline of the Steigenberger Hotels Aktiengesellschaft”, changes were made in the disclosure of certain items in the 2007 financial year, affecting in particular sales revenue, other operating income, material expenses and other operating expenses. The figures for the previous year were adjusted accordingly in order to show how the items developed in a way corresponding to actual circumstances.

The Steigenberger Konzern (consolidated group) – consolidated group of leased and other hotels – achieved sales revenue, including changes to the number of hotels, of € 275.7 million in the 2007 review year after € 282.0 million in the previous year (down 2.2%). The Steigenberger Gruppe (group), i.e. the Steigenberger Konzern plus the management hotels, achieved sales of € 379.2 million in the 2007 financial year (up 0.1%).

Because the contractual arrangement for two leased or management hotels had been altered to a franchise agreement in the previous year, and because of the growth of the hotel portfolio in 2006 and 2007, largely by way of new franchised hotels, there was a sales increase of 5.6% to € 484.4 million for the Steigenberger Hotel Group (Steigenberger Gruppe including the franchised hotels).

Hotel portfolio virtually unchanged

After the addition to the portfolio in 2006 of two Business Hotels and four Resort Hotels, the 2007 review year saw the acquisition of a new Resort Hotel, the Steigenberger Nile Palace in Luxor, Egypt. The hotel was taken over in a franchise deal. It started business on July 1, 2007 and has since then found much favour with our guests.

Development of hotel portfolio, Steigenberger Hotel Group

Segment	Dec 31, 2006	Change 2007	Dec 31, 2007
Steigenberger Business Hotels	31		31
Steigenberger Resort Hotels	23		23
InterCityHotels	28		28
Total	82	0	82
thereof, leased hotels	47	–1	46
thereof, management hotels	15		15
thereof, franchised hotels	20	1	21

The lease between the Steigenberger Hotels Aktiengesellschaft and the Bad Orb GmbH for the Steigenberger Hotel in Bad Orb expired on schedule as of March 31, 2007.

To enable us to offer our guests attractive hotels on an ongoing basis, our policy is to renew expiring agreements long term. This is done consistently and at an early stage, and is often combined with agreements on necessary renovations and structural investment. In the 2007 financial year the following hotels were affected: Steigenberger Bellerive au Lac in Zurich, Switzerland, four InterCityHotels in Nuremberg, Freiburg, Magdeburg and Erfurt and the Steigenberger Hotel in Bad Neuenahr.

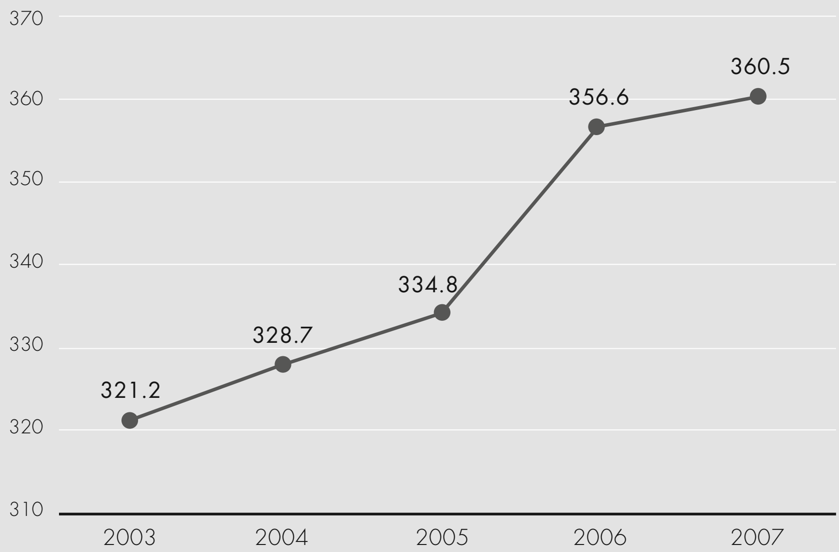
As of December 31, 2007 the Steigenberger Hotel Group had a total of 82 hotels, 36 of which were management and franchised hotels (43.9%, compared with 42.7% in the previous year).

Steigenberger as a popular host

After the Football World Cup in 2006 both the hotel sector and Steigenberger felt sure that, as a positive long-term effect, a significantly higher average room price would be feasible in Germany and that Germany, and Steigenberger too, could profit from increased demand resulting from the improved image that the country now had. The way business developed in 2007 showed that these forecasts were accurate.

In 2007 too, though, there were opportunities for Steigenberger to present itself as a popular host. These included, for example, the Federal Garden Show in Gera and Ronneburg, the documenta in Kassel and the large number of trade fairs at nearly all our hotel locations. In addition the Handball World Cup in January 2007 drew attention to Germany once again. One other major event, in September last year, was the Cycling World Championships in Stuttgart, which attracted over 300,000 visitors.

Sales development for hotels, Steigenberger group | Figures in € million



Increased sales by hotels

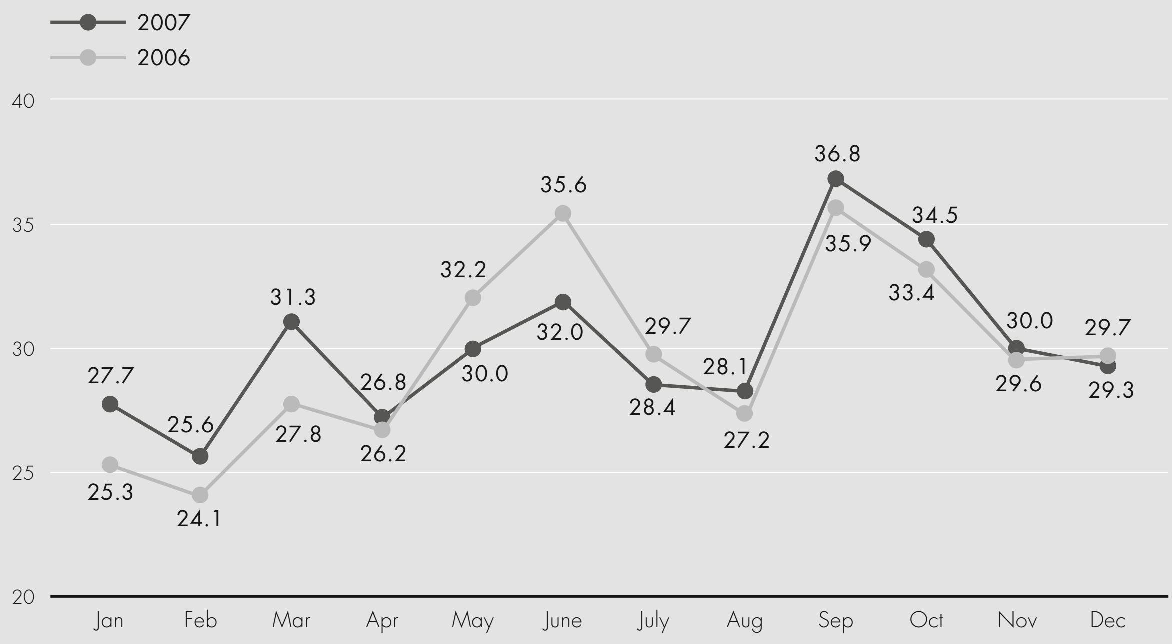
In the core hotel business the hotels in the Steigenberger group saw sales growth of € 3.9 million (up 1.1%), which brought the sales figure up to € 360.5 million in the 2007 review year.

In the first few months of the financial year the boost provided by the 2006 World Cup year brought unexpectedly pleasing business results, which more than compensated for the slack demand at the winter sport resorts as a result of the mild 2006/07 winter. The resort hotels also attracted little interest from customers during the cold, rainy weather period at the start of summer 2007. On top of this there was shortage of capacity resulting from planned renovations, particularly at the the Steigenberger Belvédère in Davos, the Steigenberger Avance Hotel in Krems (Austria) and the Steigenberger Airport Hotel at the Frankfurt Airport. Business recovered during the best sales months, September and October, on the back of the very positive development in the logis segment. Towards the end of the year the renovated capacities became available again and were successfully placed on the market.

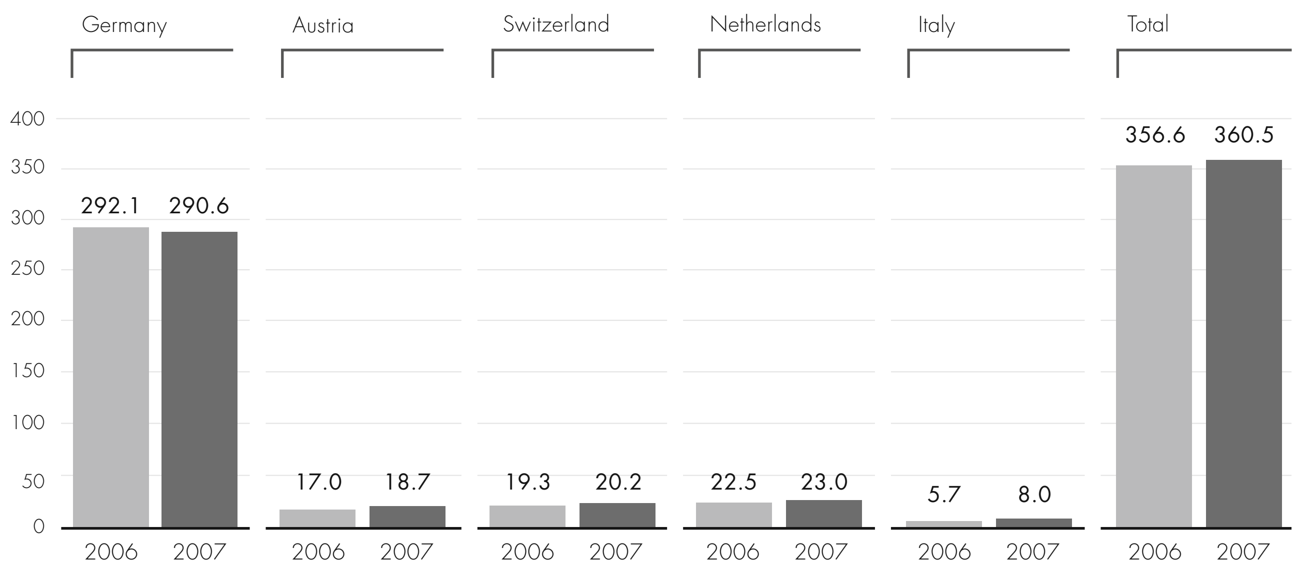
The good business development is not only the result of a sustained, positive business climate, particularly in Germany, but also the result of Steigenberger launching at the right time the strategy of concentrating on the core business. This was done by consistently attributing responsibility for business results to the various segments, strengthening and expanding the Global Sales and Key Account Management divisions and ongoing investment in better offers and service for our customers. The latter included, for example, the updating of our Internet website, the improvement of the reservation systems and the expansion of the Steigenberger Award World customer retention programme. The policy of continuously adapting our systems, processes and organisation to changes in customer expectations proved to be successful.

The bulk of the group's hotel sales revenue amounting to € 360.5 million was generated in Germany, the figures being 80.6 % in 2007 as compared with 81.9 % in the previous year. The disproportionate increase in sales in the other countries (up 8.4 %) was particularly due to a highly gratifying level of customer demand at our Swiss hotels. In addition the Steigenberger Hotel in Merano (Italy), which was opened in April 2007, and the Steigenberger Avance Hotel in Krems (Austria), after

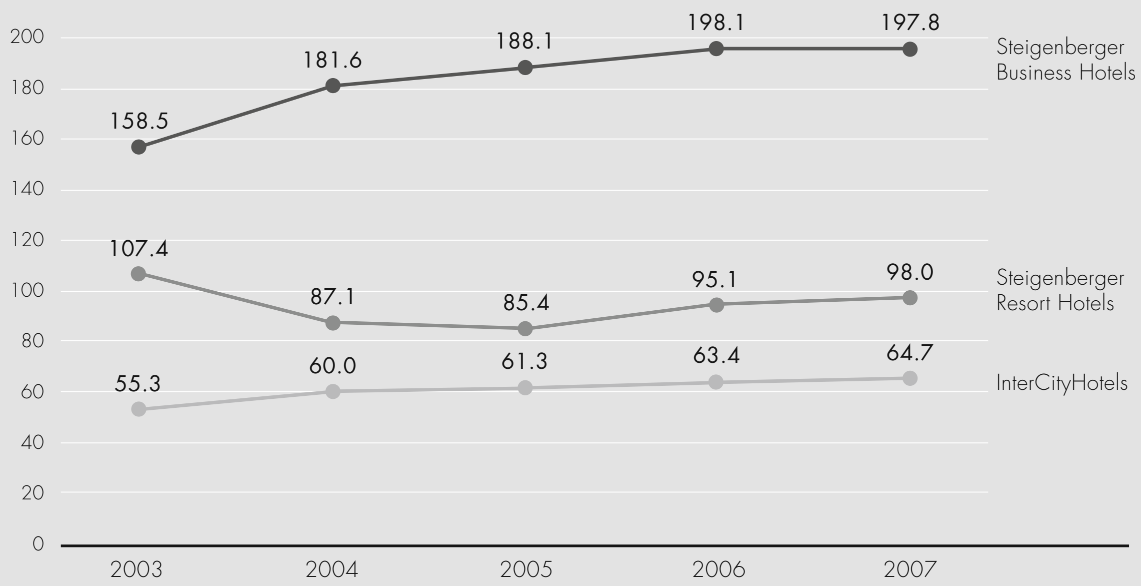
Sales development for hotels by months, Steigenberger group | Figures in € million



Sales development for hotels by source markets, Steigenberger group | Figures in € million



Sales development for hotels by segment, Steigenberger group | Figures in € million

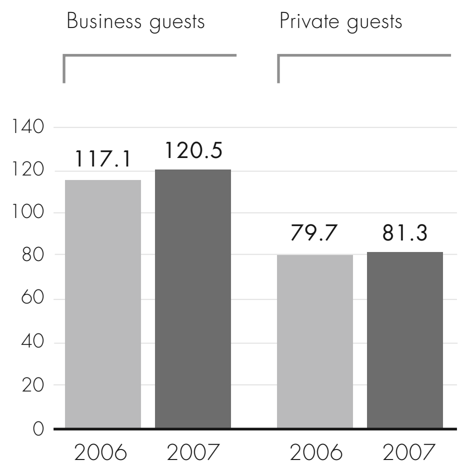


extensive renovations, both established themselves firmly on the market.

The Steigenberger Resort Hotels and InterCityHotels segments were able to increase sales on the previous year by € 2.9 million (up 3.0%) and € 1.3 million (up 2.1%) respectively. The Steigenberger Business Hotels segment did not quite reach the sales level of the year before (down 0.2%) – basically because of the conversion of the Steigenberger Mannheimer Hof from a leased to a franchised operation in the year before, September 2006. The sales of the franchised hotels are not shown under "Steigenberger group", which here means only leased and management hotels.

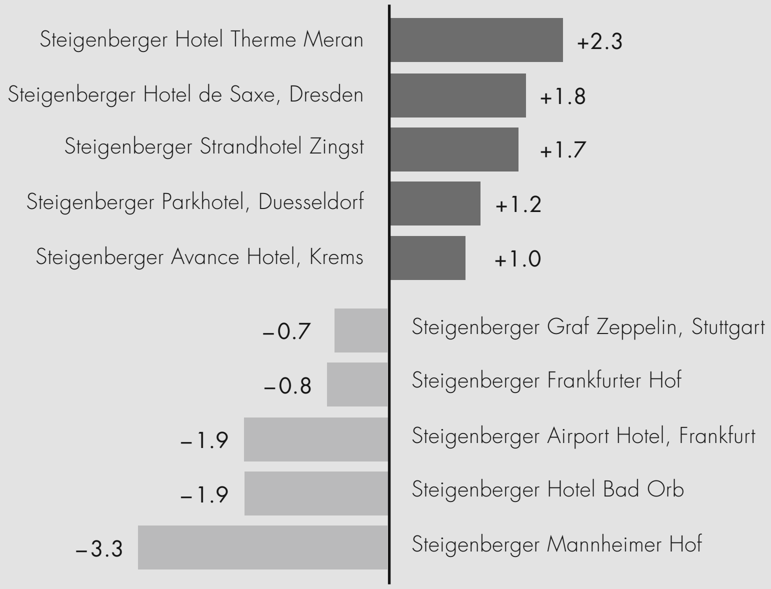
A price-driven increase in logis, or accommodation sales of 2.5% on the previous year was recorded. On account of increased demand and the additional capacities offered by our hotels in connection with the Football World Cup in the previous year, the sales figures in our hotels' restaurant division were higher then, in 2006, than in the year under review. The drop amounted to 1.7%.

Sales of accommodation by guest segment, Steigenberger group | Figures in € million



The share contributed by business guests to the positive development of accommodation sales was an increase of 2.9% in overnight stay sales, while the corresponding figure for private guests was 2.0%.

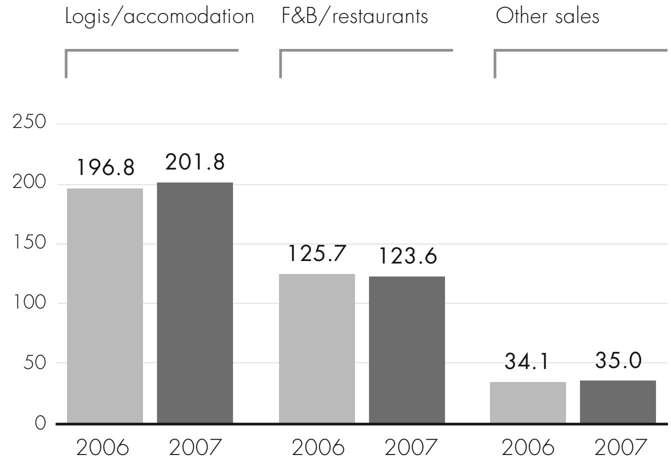
Changes in sales by major hotels, Steigenberger group by comparison with previous year | Figures in € million



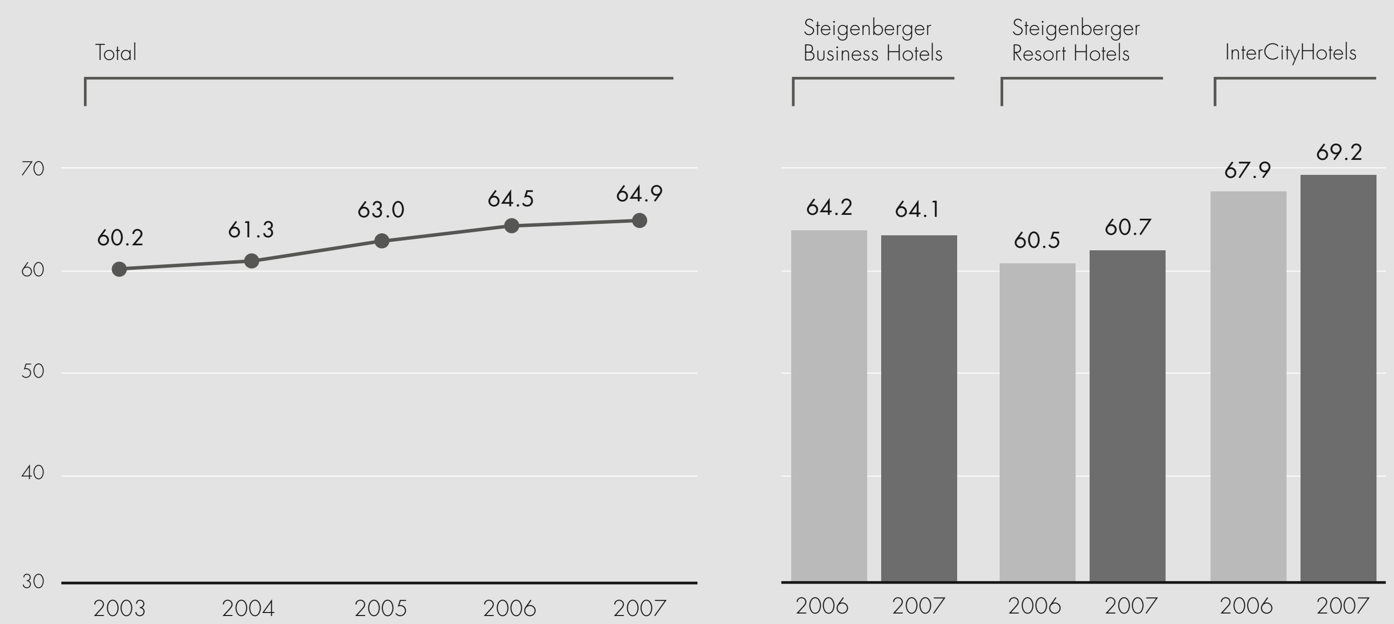
In their full financial year the Steigenberger hotels in Merano (Italy), Dresden and Zingst were able to achieve a significant increase in sales compared with the year they opened, 2006. The Steigenberger Parkhotel in Duesseldorf and the Steigenberger Avance Hotel in Krems (Austria) enjoyed very strong customer demand thanks to extensive renovations in the previous year. The Steigenberger Frankfurter Hof in Frankfurt and the Steigenberger Graf Zeppelin in Stuttgart, located at major venues for the football World Cup, achieved significant increases in average room rates and restaurant sales on the strength of that sporting event. It was not possible to repeat the performance in full in the 2007 review year.

Sales at the Steigenberger Airport Hotel in Frankfurt – which is Steigenberger's highest achiever in terms of sales – were € 1.9 million (– 7.1%) down on the previous year. The reason was that a large amount of room capacity was closed owing to the modernisation work on the executive areas and the renovation and expansion of the conference capacities. The lease agreement for the Steigenberger Hotel in Bad Orb terminated by contractual arrangement as of March 31, 2007, and the Steigenberger Mannheimer Hof has been run on a franchise basis since September 2006.

Sales by hotels,
Steigenberger group | Figures in € million



Occupancy rates for hotels, total and by segment, Steigenberger group | Figures in %



Occupancy rate rises to 64.9%

The average occupancy rate for the group rose from 64.5% to 64.9% in the 2007 review year. The Steigenberger Resort Hotels were able to raise their average occupancy rate by 0.2 percentage points to 60.7%, and the InterCityHotels by 1.3 percentage points to 69.2%. At 64.1% the Steigenberger Business Hotels segment was very close to maintaining the level of the previous year, even though it was this segment that gained an above-average advantage from the demand that came with the Football World Cup in 2006.

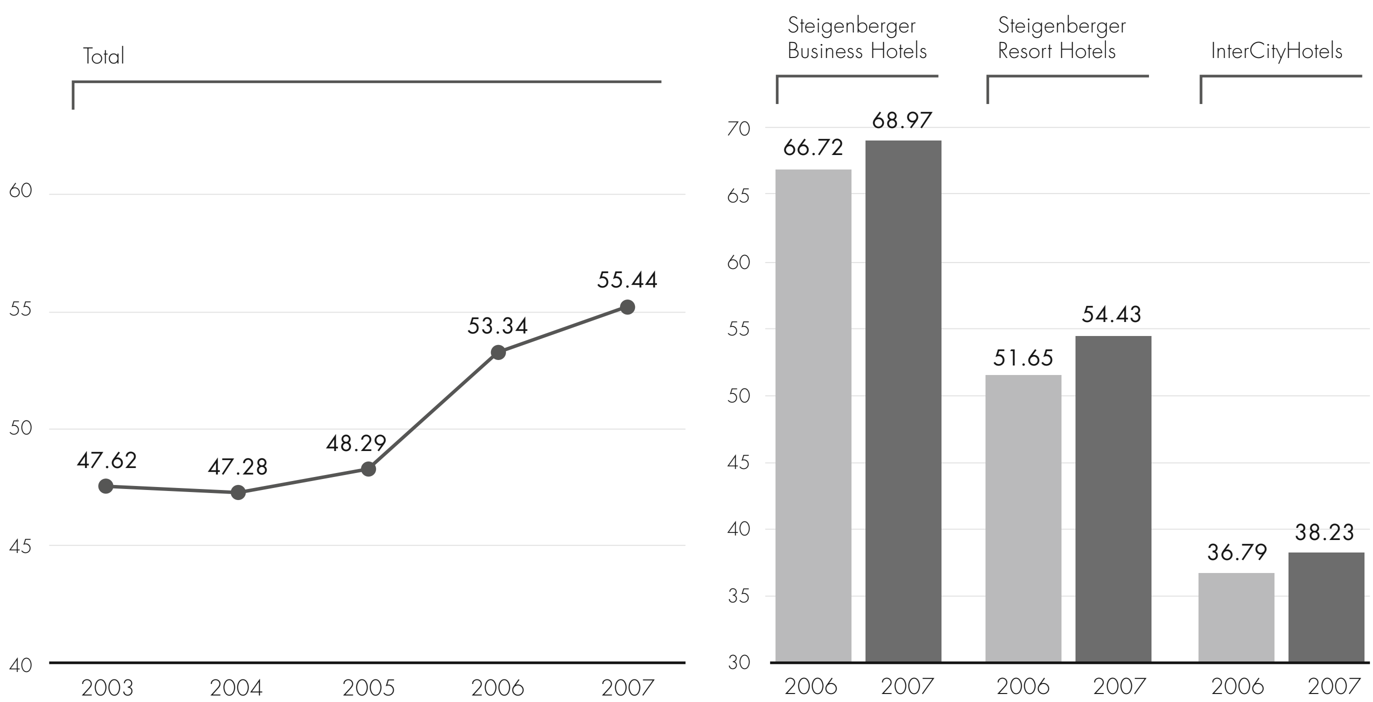
Significant price increase attained

The hotels in the Steigenberger group were able to increase average return per room by 3.3% to € 85.47 in the 2007 review year. In spite of the increased intensity of competition, all three segments therefore succeeded in improving yet again on the previous year's figures, thus demonstrating once more the correctness of the strategy of "income-orientated growth". Furthermore the new hotels in Dresden and Merano (Italy), which had been opened in the year before, made a powerful contribution to the improvement, with room rates above the average. The fact is that our customers are prepared to accept higher room rates for top-grade service and products of good quality, as is shown by the disproportionately high rate rises achieved by hotels which had had expensive renovations.

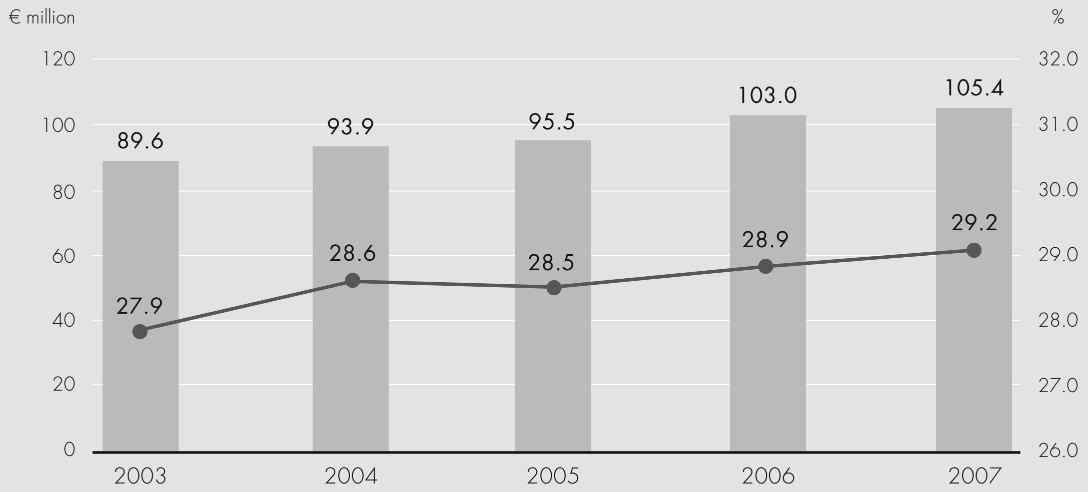
The overall result is that room yield – average return per available room (RevPAR) – went up by 3.9% to €55.44 compared with the previous year.

Development of key accommodation figures for hotels by segment, Steigenberger group

Room yield for hotels, total and by segment, Steigenberger group | Figures in € million



Gross operating profit (GOP) for hotels, Steigenberger group | Figures in € million and % of sales



Further rise in hotel profitability

The gross operating profit (GOP) of the hotels rose more strongly than their sales in the year under review. The comparison with the previous year shows a rise in GOP of € 103.0 million to € 105.4 million (up 2.3%).

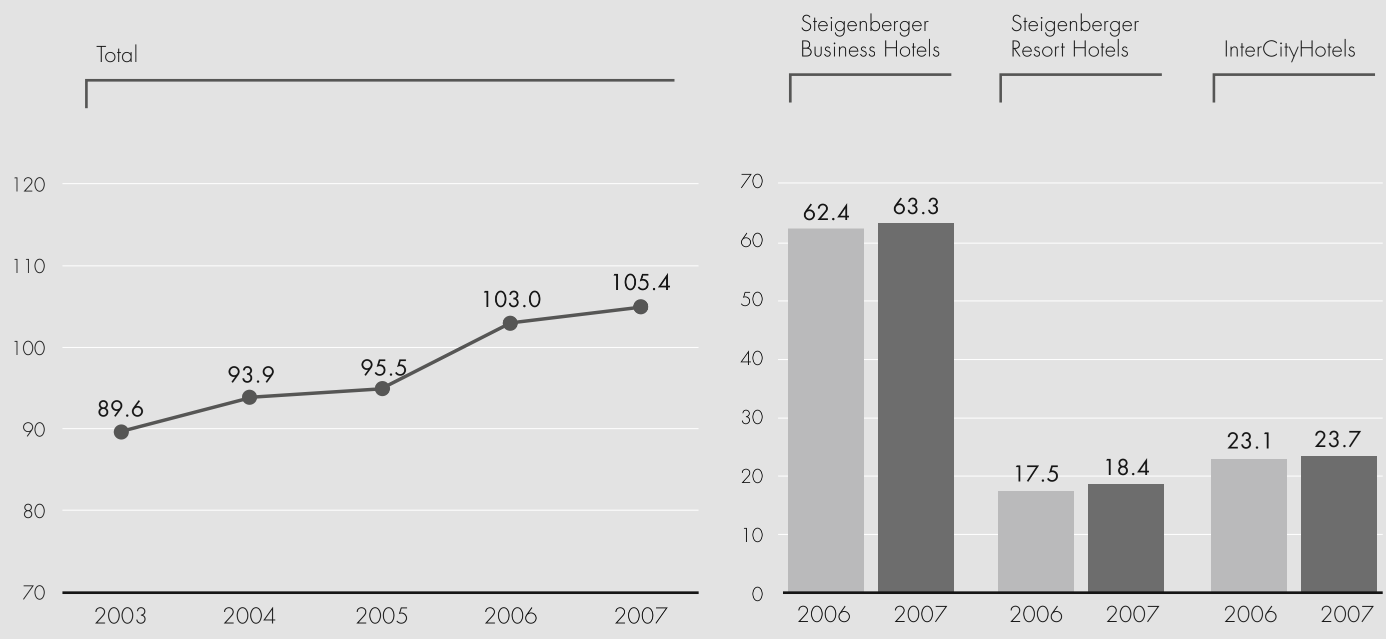
The ratio of GOP to the sales revenue of the Steigenberger group improved once more from 28.9% to 29.2% in the year under review. The reason is the increase in overnight stay prices which, almost without additional occupancy-related costs, has a direct impact on GOP as a contribution to profit. The largest contribution to the GOP of the Steigenberger group came from the Steigenberger Business Hotels segment with € 63.3 million (up 1.4%) followed by the InterCityHotels segment with € 23.7 million (up 2.6%). The Steigenberger Resort Hotels segment achieved the highest increase rate at a total GOP of € 18.4 million (up 5.1%).

Sales and profits decline in other divisions

Apart from the core hotel business Steigenberger operates two other divisions: restaurants and other operations, the latter comprising various other services and activities including central purchasing with the H.E.A.D. HOTEL EQUIPMENT AND DESIGN GMBH (H.E.A.D.), Steigenberger Consulting and the Steigenberger Academy.

In the restaurants division the company runs various restaurants and bars at the Frankfurt Airport through the Steigenberger Gastronomie GmbH and in cooperation with the partner firm HMS-Host Europe GmbH. The restaurants division suffered a decline in sales of € 0.9 million to €14.3 million in the 2007 review year. The fall in sales was due to construction work at the Frankfurt Airport and the closure of six restaurants or bars. Also evident was a change in customer demand patterns in the direction of food and drink offers with lower profit margins. GOP in this division fell correspondingly from € 4.4 to € 3.7 million. The other operations division

Hotel GOP, total and by segment, Steigenberger group | Figures in € million



Sales and GOP development in the other divisions, Steigenberger group

	2007	2006	Change in € million or % points
Sales in € million	27.2	32.7	–5.5
thereof, restaurants	14.3	15.2	–0.9
thereof, other operations	12.9	17.5	–4.6
Gross operating profit (GOP) in € million	8.1	9.5	–1.4
thereof, restaurants	3.7	4.4	–0.7
thereof, other operations	4.4	5.1	–0.7
Gross operating profit (GOP) in %	29.8	29.1	0.7
thereof, restaurants	25.8	28.8	–3.0
thereof, other operations	34.3	29.3	5.0

also posted a decline in sales and profits. The total fall in sales was € 4.6 million and the drop in GOP was € 0.7 million. These decreases were largely accounted for by the H.E.A.D. "Projects and Facilities" division which, as planned, implemented fewer projects in 2007 than in the year before.

Profits statement for the consolidated group

	2007		2006		Change	
	€ million	%	€ million	%	€ million	%
Sales (incl. changes in total hotel capacities)	275.7	100.0	282.0	100.0	–6.3	–2.2
Other operating profit	33.1	12.0	27.5	9.8	5.6	20.4
Material expenses	–70.9	–25.7	–71.8	–25.5	0.9	–1.3
Personnel expenses	–96.6	–35.0	–97.3	–34.5	0.7	–0.7
Other operating expenses	–125.5	–45.5	–130.8	–46.4	5.3	–4.1
EBITDA	15.8	5.7	9.6	3.4	6.2	64.6
Depreciation and amortisation	–9.1	–3.3	–7.6	–2.7	–1.5	19.7
EBIT (consolidated operating profit)	6.7	2.4	2.0	0.7	4.7	235.0
Financial result	–1.5	–0.5	–1.1	–0.4	–0.4	36.4
Result from ordinary business activity (EBT)	5.2	1.9	0.9	0.3	4.3	477.8
Taxes	–5.0	–1.8	–0.5	–0.2	–4.5	900.0
Consolidated net profit	0.2	0.1	0.4	0.1	–0.2	–50.0

Profits Situation

The Steigenberger consolidated group achieved sales revenue (including changes in total hotel capacities) of € 275.7 million in the 2007 review year after € 282.0 million in the previous year (down 2.2 %). There was a strong increase of € 7.8 million (up 25.8 % on the year before) in the earnings from management and franchise fees, which are predominantly dependent on sales and are shown under the consolidated gross profit from sales revenue. The rise in earnings from franchise fees resulted from the termination of the lease on the Steigenberger Mannheimer Hof and the conclusion of a new franchise agreement as from September 1, 2006, and also from the two new management hotels, Steigenberger Hotel Therme Merano (Italy) and Steigenberger Strandhotel Zingst, which were opened in the previous year and only affect the result pro rata temporis. The list also includes the two franchised hotels in Egypt, the Steigenberger Al Dau Beach Hotel and the Steigenberger Al Dau Club.

In the year under review the Steigenberger Nile Palace in Luxor (Egypt) entered the portfolio as a new franchise partner as from July 2007.

The item other operating income saw a rise of € 5.6 million on the previous year to € 33.1 million. The reason has to do with the accounted and yet to be received grants (including reimbursement of expenses for the construction of the extensions to the Steigenberger Airport Hotel) from the PICNIC Grundstücksverwaltung GmbH to the amount of € 10.3 million (previous year € 7.6 million). This amount basically refers to the advances received for the renovation and construction work at the Steigenberger Airport Hotel, Frankfurt, and to the advance payments in connection with renovations to the Steigenberger Duisburger Hof (planned as from 2008) and the Steigenberger Badischer Hof. Accordingly the corresponding supplier services are shown under the item other operating expenses, as in the previous year.

The most important items included under other operating income are: income from the release of provisions and no longer needed value adjustments, compensation pay-

ments received, income from the transfer of costs, also from suppliers' refunds and accounting profits from the disposal of assets.

It pays to guard against risks

Material expenses fell by € 0.9 million (–1.3 %) in the year under review. Apart from the usual occupancy-related costs like goods purchases and other services obtained, there was a change from the previous year in that energy costs were also down 2.3 %. The cleaning services contracted out to external partners, which rose 5.7 % in the year under review, are shown under the item other services obtained.

Personnel costs also declined in the review year by € 0.7 million to € 96.6 million. The average number of staff employed in the Steigenberger consolidated group in 2007 was, at 2,852, slightly below the 2006 level (2,941); thus there was a 3.1 % drop.

The reasons for the decrease were the termination of the lease for the Steigenberger Hotel in Bad Orb, the relinquishment of the leased hotel Steigenberger Mannheimer Hof and the closure of the Deutsche Bank training centre in Kronberg, where the Steigenberger Gourmet Service GmbH had a business management agreement until September 30, 2006.

The proportion of trainees to total staff numbers continued unchanged in 2007 at 13 %. The ratio of personnel expenses to sales went up slightly from 34.5 % in the previous year to 35.0 %.

However, because of the larger number of franchised hotels in the portfolio, the Steigenberger Hotel Group saw a significant rise in the average number of employees from 5,580 to 6,586 (4,697 of them in Germany).

The other operating expenses include for the most part rental and leases (€ 65.6 million), commissions (€ 6.9 million), repair and maintenance costs (€ 10.8 million), marketing expenses (€ 8.4 million) and legal and advisory costs (€ 3.3 million). These totaled € 125.5 million in the year under review, after € 130.8 million in the year before (down 4.1 %). Once the grants for construction work in the amount of € 10.3 million (previous year € 7.6 million), also shown under this item, have been allowed for, there is even a decline in the other operating expenses to

Depreciation and amortisation consolidated group

	2007 in € million	2006 in € million	Change in € million	Change in %
Depreciation and amortisation goodwill	0.5	0.5	0.0	0.0
Depreciation and amortisation intangible assets and property, plant and equipment	8.6	7.1	1.5	21.1
Total	9.1	7.6	1.5	19.7

the amount of € 8.1 million (that is, by 6.6%) – the income from the grants are shown in the same amount under the heading other operating income. Apart from our rigorous and sustained cost controls, the risk management measures of the previous year ensured that major negative items were removed. For example, the fact that grants to the holding company of the Steigenberger Hotel Berlin were no longer necessary and the termination of the management agreement for the Steigenberger Hotel Lam meant a reduction in the other operating expenses of € 3.3 million in comparison to the year before. The expenses for rental and leases remained almost unchanged at € 65.6 million, since index-related increases compensated for the decreases in the case of sales-related leases.

The consolidated results before interests, taxes, depreciation and amortisation (EBITDA) rose strongly by 64.6% to € 15.8 million as a result of the savings in the area of other operating expenses.

Investment programme drives up depreciation and amortisation

In previous years the trend was for depreciation and amortisation to fall steadily because of the modest volume of capital expenditure. Since 2006, however, there has been a rise. The reason is the "Investment Programme 2005 to 2008", which has been in operation since the end of 2005. Among the major renovation and reconstruction projects launched since 2005 was the Steigenberger Parkhotel in Duesseldorf, renovated towards the end of 2006, and the first construction phase at the Steigenberger Frankfurter Hof. To these should be added the write-offs in connection with the renovation of the Steigenberger Belvédère in Davos, which was completed in September 2007. Total write-offs on intangible assets and property, plant and equipment went up by € 1.5 million to € 9.1 million (a 19.7% rise).

The write-offs on goodwill, which are also shown here, remained, at € 0.5m, unchanged compared with the year before.

Consolidated operating profit (EBIT) rises to € 6.7 million

The consolidated operating profit (EBIT), before allowing for neutral items, reached € 6.7 million, or 2.3% of sales revenue, in the year under review. In the previous year the consolidated operating profit had been € 2.0 million or 0.7% of sales revenue.

In 2007 too the consolidated group again renegotiated negative contractual agreements and reduced balance sheet and tax risks. The consolidated operating profit therefore contains one-off and off-period items which, having been carried forward, produce an earnings amount of € 2.9 million (the corresponding negative item in the year before was € 9.3 million). This having been allowed for, the consolidated operating profit is therefore € 3.8 million (previous year € 11.3 million).

Taxes on income and profits rose significantly from € 0.5 million to € 5.0 million. The decisive reason for this was the devaluation by € 2.5 million of deferred taxes, which in the previous year had been capitalised at € 6.6 million as a result of the future lower tax rates provided for in the corporate tax reform and the scheduled utilization of the tax loss carryforwards of the Steigenberger Hotels Aktiengesellschaft. In addition the tax result for the Steigenberger Hotels Aktiengesellschaft was for the first time subject to the minimum taxation rules.

The consolidated net profit for the 2007 financial year was € 0.2 million, after € 0.4 million in the year before.

Type of investment

	2007 in € million	2006 in € million	Change in € million	Change in %
Repairs and maintenance	7.4	7.9	–0.5	–6.3
Major construction work	13.7	9.5	4.2	44.2
Accruals to intangible assets	0.2	0.8	–0.6	–75.0
Accruals to property, plant and equipment	23.4	13.0	10.4	80.0
thereof, set off against financial grants	(5.1)	(1.9)	(3.2)	(168)
Total for consolidated group	44.7	31.2	13.5	43.3

Debts consolidated group

	2007 in € million	2006 in € million	Change in € million	Change in %
Gross credit debt	7.7	7.7	0.0	0.0
Current bank accounts, cash balance and non-current investments	9.3	6.6	2.7	40.9
Net credit debt	–1.6	1.1	–2.7	–245.5
Total assets	99.3	97.4	1.9	2.0
Degree of indebtedness: net credit debt as percentage of total assets (balance sheet total)	–1.6 %	1.1 %	–	–

Financial and Assets Position

Investment programme continued as scheduled

At the end of the 2005 financial year it was agreed between the Steigenberger Hotels AG and the PICNIC Grundstücksverwaltung GmbH (property management) that for the period 2005 to the end of 2008 a total of € 150 million would be invested predominantly in structural preservation work in the core hotel business ("Investment Programme 2005 to 2008"). € 90 million of this was to be financed by the Steigenberger Hotels Aktiengesellschaft from operating cashflow and the other € 60 million by the PICNIC Grundstücksverwaltung GmbH via a capital grant. This "capital grant agreement" was extended during the review year on substantially unchanged conditions for the period up to December 31, 2010.

Under this "capital grant agreement" the review year saw two major individual projects: the renovation of the Executive Tower and the construction of additional conference capacities at the Steigenberger Airport Hotel in Frankfurt. After completion of the renovation and construction work the facilities were made available for operation in good time for the IAA Motor Show in September 2007.

The Steigenberger consolidated group financed the renovations at the Steigenberger Belvédère in Davos from its own resources. The renovation work consisted of the renovation of rooms and bathrooms, the rebuilding and redesigning of bars and restaurants and the redesigning of the entrance and reception area. Renovated like this, the hotel was able to present a new face to its guests, particularly during the World Economic Forum in January 2008.

However, investment programmes were also decided on with other owners, e. g. the Steigenberger hotels in Hamburg, Bad Homburg, Berlin and Gstaad-Saanen (Switzerland). The programmes will ensure that the current equipment and furnishing of these hotels are adapted to the further evolved standards of the Steigenberger consolidated group. It frequently happened that the decision on the renovation programme coincided with the renewal of contractual agreements ahead of schedule.

Financing statement consolidated group

	2007 in € million	2006 in € million	Change in € million	Change in %
Operating cashflow	18.8	11.3	7.5	66.4
Net cash provided by business activity	20.9	12.9	8.0	62.0
Net cash provided/used by investment	–17.7	–10.5	–7.2	68.6
Net cash provided/used by financing activity	–0.5	–4.4	3.9	–88.6
Change in cash and cash equivalents	2.7	–2.0	4.7	–235.0
Cash and cash equivalents, Jan 1	6.6	8.6	–2.0	0.0
Cash and cash equivalents, Dec 31	9.3	6.6	2.7	40.9

Capital expenditure, depreciation and amortisation, operating cashflow

	2007 in € million	2006 in € million	Change in € million	Change in %
Capital expenditure	44.7	31.2	13.5	43.3
Depreciation and amortisation	9.1	7.6	1.5	19.7
Operating cashflow	18.8	11.3	7.5	66.4

The aim of the investment programmes is to lay the foundation for future growth and profits by means of the thorough-going reconstruction and modernisation of the major hotels – particularly in the Steigenberger Business and Resort Hotels segment. The investments, to the total value of € 44.7 million in the year under review (€ 31.2 million in the year before), will in the future lead to a sustained improvement of the profits and financial situation and thus the company's competitiveness.

Steigenberger without net credit debt

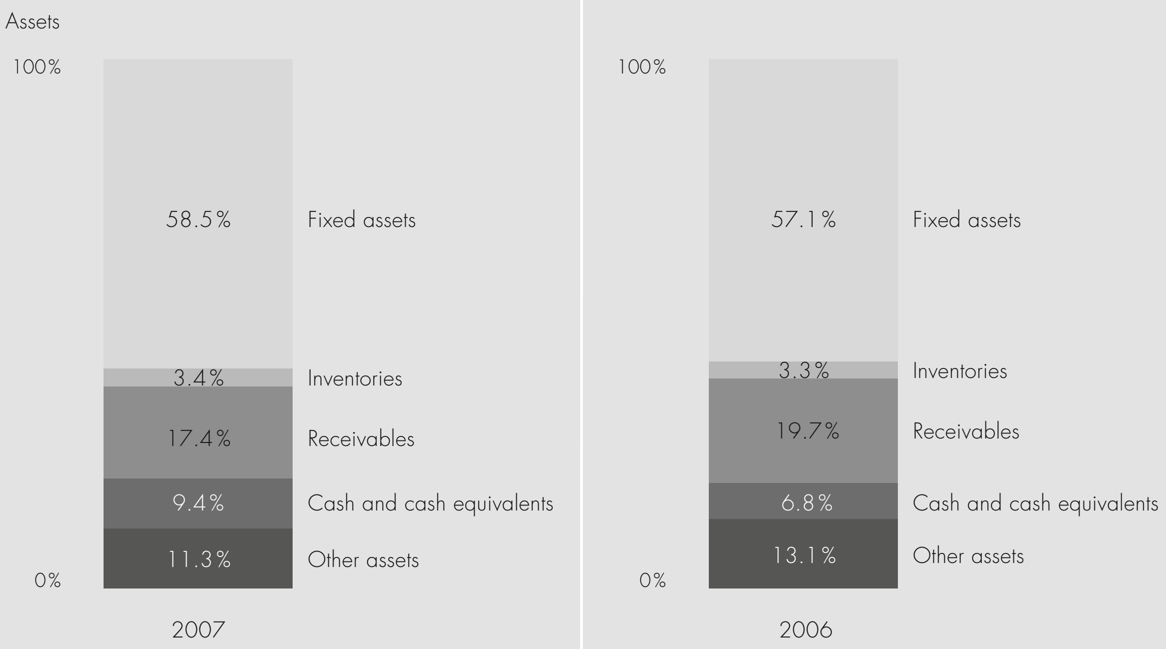
Because of the sustained good development of business in the year under review and the disciplined management of the investment programme throughout the consolidated group, it was possible to improve the financial position of the consolidated group yet again, in spite of the investment programme it had embarked on.

As of December 31, 2007 the consolidated group has no outstanding bank loans, and the remaining debt is exclusively in the context of an unchanged loan of € 7.7 million in respect of the major shareholder. In addition to the loan a credit line was also granted by the shareholders in the amount of € 15 million, which had not been utilised as of the balance sheet date. During the year under review the agreements governing the loan and the credit line were renewed until December 31, 2010.

The cash and cash equivalents of € 9.3 million as of balance sheet date exceed the financial debts by € 1.6 million. The Steigenberger consolidated group therefore shows no net credit debt as of balance sheet date.

Operating cashflow amounted to € 18.8 million in the year under review. Including net cash provided by other business activity to the amount of € 2.1 million and the capital grants received, it was thus not only possible to finance the capital expenditure but to raise total cash and cash equivalents by another € 2.7 million to € 9.3 million as of balance sheet date (previous year € 6.6 million).

Structure of assets | Figures in % of total assets



Capital structure | Figures in % of total assets

Capital expenditure impacts on assets and capital structure

There was no change in the composition of the consolidated group in the year under review. The consolidated total assets went up by 2.0% to € 99.3 million in the financial year. The departure of MOLROSA GmbH, general partner of MOLROSA KG, as of November 30, 2007 was accompanied by the merger of MOLROSA KG with the Steigenberger Hotels Aktiengesellschaft. The merger was effected largely without effect on income. The total assets amount was however reduced through the offsetting of investment book value, receivables and payables to the amount of about € 8.7 million.

This decrease was compensated for by additions to property, plant and equipment, the total of € 49.4 million being largely due to increased capital expenditure. Current assets (excluding cash and cash equivalents) fell slightly as a result of the merger with MOLROSA KG by € 1.7 million to € 20.8 million. The figure shown for cash and cash equivalents, however, rose by € 2.7 million to € 9.3 million.

The deferrals for latent taxes on the assets side required under DRS 10 still amount to € 4.0 million, the sum of € 2.5 million having been released in the year under review, largely due to the effects of the corporate tax reform.

The shareholder equity of the consolidated group amounted to € 16.5 million as of December 31, 2007, which means virtually no change on the previous year. The rise in consolidated total assets meant a corresponding fall in the equity ratio, from 16.9% to 16.6%. After allowing for declared goodwill and deferred tax assets, the equity ratio comes out at 10.0% compared with 7.1% as of December 31, 2006.

There was a significant increase in provisions by € 4.3 million to € 41.8 million, particularly due to outstanding supplier bills in connection with construction work.

Listed under the liabilities to affiliated companies there is still the shareholder loan of € 7.7 million.

Outlook and Forecast

Opportunities and risks for future development

Our corporate culture dictates as a matter of course, and as a fundamental component of our management system, that we concern ourselves with the future opportunities and risks involved in our business activities. We have an established risk management system that is governed by the law on checks and transparency in companies (German controls and transparency act) and is rigorously adapted to current requirements. The system includes our existing rules for the early identification of risks jeopardising corporate value or of factors materially affecting the financial, assets and profits situation.

The risk policy of the consolidated group is placed in the hands of the various segments and specialist departments, which are then themselves responsible for the taking of risks and opportunities. The responsible handling of risks and opportunities is ensured by application of the policy to operating and division budgets (through the report system) and by the incentive machinery that is part of the premium and bonus system for management.

As a result of the regular risk assessment covering the entire consolidated group we find that our two-brand strategy has provided us with a solid foundation that will place us among Germany's leading hotel companies in the future too. Our strategy for the focused qualitative and quantitative reform and expansion of our hotel portfolio, our comprehensive, long-term investment programme and the deliberate alignment of all operative decisions to customer preferences – all this guarantees that our hotels will fulfil the needs of our guests in the future too.

In our operative business we made continuous use of the established business management instruments for the control of risks during the review year, and developed them further as needed. The instruments include the strategic and operative planning methods with which we determine our objectives and basic assumptions, and the steps to be taken to achieve our objectives. Our regular report system, covering the whole consolidated group, makes a major contribution to early risk detection. The group report procedures and the reporting done by the business segments and subsidiaries help us to monitor business developments down to specific days, to assess future trends and to define the further steps needed to reach our objectives.

Parallel to our operating activities we implement a number of projects which also carry potential risks for our company. These included, in the year under review, major reconstruction and renovations projects, the introduction through the consolidated group of new computer and IT systems, such as the OPERA central reservation system and the Pegasus distribution system, and reorganisation projects at the headoffice. The guidelines we have issued for project management mean that these risks are subjected to regular monitoring by committees and control bodies.

The further development of our IKS internal controls system is a basic and ongoing component of risk management at Steigenberger. New developments here in the year under review included the group-wide new strategy for contract management and data protection, and the decision to introduce electronically controlled creditor management as from 2008. These and a number of other measures are intended to counteract, comprehensively and at an early date, financial risks to our processes and systems as from 2008.

Risks resulting from price adjustments or payment flow fluctuations are of only secondary importance for the consolidated group. Payment default and liquidity risks in respect of our receivables are covered by a factoring system with a bank and also by the creation of sufficient valuation reserves. We seek to restrict losses in individual hotels as far as possible by optimising procedures and through contractual adjustments.

As a lessor we have "full and flat" responsibility under some of our contracts. Any resulting financial pressures are monitored continuously because they are included in the considerations on which long-term investment and maintenance are based, and in our financial planning. In the year under review, through extensive renovations at the Steigenberger Airport Hotel in Frankfurt, at the Steigenberger Belvédère in Davos (Switzerland) and at the Steigenberger Hotel in Gstaad-Saanen (Switzerland), Steigenberger not only fulfilled its contractual investment obligations at those locations but also met the growing demands of our guests in regard to internal fixtures and quality standards.

The prioritisation and monitoring of financial claims necessitates both constant supervision, more than once a year, of the consolidated group's financial condition and adjustment of medium-term financial planning, as required. The additional demands on liquidity – for example in 2008 arising from financing contributions, over and above the owner-sourced ones from Steigenberger, to the planned reconstruction projects, for instance at the Steigenberger Duisburger Hof, the Steigenberger Badischer Hof, and also in Constance, Gstaad, Davos and Bad Neuenahr – compete for priority here with the trade income tax additionally expected as from 2008 as part of the counter-financing arrangements in the corporate tax reform, and with the risks our hotels face from competition and general business developments. The Steigenberger Hotels Aktiengesellschaft has sufficient liquidity reserves to avert such financial risks. In addition the current credit agreements with the shareholders were renewed, ahead of schedule, until the end of 2010.

In order to acquire new customers and bind existing ones to Steigenberger we have continued to improve our "Award World" customer retention programme. In the year under review we also successfully introduced the OPERA central reservation system in all our InterCityHotels. The Steigenberger Hotel Group has an attractively modern presence in the Internet with online reservation facilities for our guests. In December 2007 we terminated formal cooperation with WORLDHOTELS for sales and marketing support and instead joined up with Pegasus Solutions Inc. (USA), the world's biggest provider of hotel distribution services. For Steigenberger this is a systematic investment in the familiarity of the Steigenberger Hotels and Resorts and the InterCityHotel brands, in Germany and abroad. We expect the move to bring us further growth in the international guest segment.

The business situation of the hotel industry in Germany will continue to be influenced in years to come by political and overall economic factors which could have an adverse effect on growth. The sector is under pressure, for example, from oil, gas, electricity and TV prices which, because of the lack of competition and effective regulation, are the highest in Europe. Among Steigenberger's answers to these difficulties are the early conclusion of master agreements for power purchases, compliance with energy-saving construction norms and the ongoing analysis of energy-saving procedures in our hotels.

Our Management Board report contains assumptions and assessments that are directed at the future, i.e. there is a basic uncertainty in the forecasting. In particular there are unpredictable political and economic changes – natural disasters, terrorist attacks, the threat of worldwide epidemics – which influence the travel behaviour patterns of our guests, and thus our sales, profits and liquidity development. We are convinced that our efficient crisis management system enables us to meet the security requirements of our guests everywhere and at all times, not only during emergencies.

At present there is no evidence of risks jeopardising our corporate value.

Employees

For the employees of Steigenberger, offers to improve their qualifications are a reality they actually experience. The Steigenberger training catalogue has over 120 seminars on more than 70 different subjects. Talented young staff members are trained in the acquisition of management skills and are given the opportunity to compete for the Egon Steigenberger Prize, which has a value of € 10,000.

Employees who are already in management can benefit from the two-phase "General Manager Development Programme", which was introduced in 2007. The course lasts two years and qualifies them for the duties of a Deputy Hotel Manager. They are attended by a mentor in the form of an experienced General Manager, whose expertise gives them intensive support. The candidates participate in various seminars as preparation for their new duties. In the second phase of this training course

Deputy Managers are given intensive training to extend their skills, and thus acquire the knowledge necessary for the management of a hotel. Participation in the two programme phases is dependent on achieving a successful level at an Assessment Centre.

Experienced hotel managers and executive personnel are eligible for a training programme that was introduced in September 2007. It is an 18-month part-time course leading to the qualification Executive Master of Business Administration (EMBA) in Tourism Management. It is offered by the Steigenberger Academy in Bad Reichenhall in cooperation with the HTW College of Business and Technology in Chur (Switzerland) and the European Institute for Hotel Management in Heilbronn. Apart from the EMBA course the Steigenberger Academy offers three training programmes with which young people can lay the foundation for a career in the hotel trade: the one-year course at the state-accredited hotel vocational training school, the two-year course at the state-accredited hotel professional training school and the three-year course as a master of hotel economics. It is the recruitment policy of the Steigenberger Hotel Group to give preference to qualified graduates of the Steigenberger Academy, and it offers both training places and fixed-tenure employment in its hotels.

Protection of the environment

In the hotel business the protection of the environment has for years been both an ethical obligation and a strategy for commercial success. Against the background of intense international competition and the changing demands of guests, the ecological quality of the hotels' services and facilities has become indispensable for success. Ecological commitment is often the deciding factor when international guests are selecting a hotel. When a hotel group speaks of its corporate social responsibility the prime element, apart from social commitment, is protection of the environment. An integrated environment management system covers all the aspects of a hotel's operations. Some of these, for example, are: energy and water consumption, CO_2 levels, ecological waste recycling, ecologically neutral cleaning agents and detergents, and the purchase of ecologically sound foodstuffs.

The Steigenberger Hotel Group is active in all important areas of environmental protection by business. All hotels in the group draw up regular energy reports which are evaluated by the technical department. The environmental measures include waste disposal using the so-called Green Point system and heating supplied by a combined heat and power plant. There is routine use of dosing systems for cosmetics, cosmetics made from natural products, ecologically neutral cleaning agents and detergents, the smallest possible use of one-way packaging, and the offer of repeated use of towels in hotel bathrooms. A pilot project is being run to test a new, environmentally sound sewage disposal plant for the Steigenberger Frankfurter Hof.

The long-term objective is for the hotels' energy needs to be met mainly from renewable sources. Negotiations are under way for the supply of all Steigenberger and InterCityHotels with "green electricity". Construction and renovation projects are already being switched over to alternative energies, such as solar technology. The aim of the Steigenberger Hotel Group is to adjust ecological standards – such as the CO_2 balance – to internationally binding norms in the future.

Strategy and forecast

The economists of the leading economic research institutes in Germany tell us to take heart. In spite of the fear of recession in the USA, the credit crisis hitting many banks, high oil prices and unfavourable euro rates, the German economy has a robust look and is on a growth course. While it is true that the effects of the US real estate crisis cannot yet be fully assessed, the expected slowdown in growth is expected to be temporary, and the economy is forecast to speed up, especially in the second half of the year. After the gross domestic product (GDP) grew by 2.5% in 2007, the DIW (German institute for economic research) anticipates a slightly reduced rise of 2.1% for this year. The ifo Institut in Munich and the German government's annual economic report speak of GDP growth of about 1.7%.

According to the German Federal Statistical Office, Germany's 2007 inflation rate of 2.2% was above average. The reasons included the increase in value added tax and the prices for energy and food. Experts expect the 2008 inflation rate to be at a comparable level.

The DIW's forecast for the euro zone is that investment will slacken off and foreign trade will suffer from the effective revaluation of the euro. This will however be counterbalanced to a great extent by the brisker development of private consumption on the basis of favourable trends in the labor market. With the boost for growth shifting away from foreign trade to factors in the domestic economy, growth overall would look more balanced, says the DIW.

After the Football World Cup year of 2006 the hotel trade was able to record strong reservation figures and so achieve good results in 2007 too. Occupancy rates and average room prices remained at a high level, even showing a slight increase. The IHA Germany hotel association reckons on the basis of economists' forecasts that growth will be 1.5% in 2008.

The Steigenberger Hotel Group also expects a moderate increase in sales revenue for 2008 and 2009, which, together with the successful implementation of the cost management policy, will produce positive annual results in the next two financial years.

Against the background of what is still a satisfactory condition of the world economy, which has had a gratifying impact on Steigenberger's core market Germany, the company's situation continued to stabilise in 2007.

In 2008 the focus will be on the further development of the corporate strategy. It will build on the tried and trusted foundations of the company and, with modified structures, will have a positive and sustained influence on the development of this traditional enterprise.

Events after the close of the financial year

Karl Anton Schattmeier, till then Management Board Spokesman, left the service of the company by mutual agreement with effect from January 31, 2008. The decision resulted from the restructuring of the Management Board, as resolved by the Supervisory Board, following which André Witschi was appointed Board Chairman of Steigenberger Hotels Aktiengesellschaft as of February 1, 2008. André Witschi took over the duties of Karl Anton Schattmeier and is thus also responsible for corporate development and future strategy.

On account of a change in the ownership of the Steigenberger Esplanade in Jena and after the termination of the agreement at due date by the new owner in February 2008, a new business management contract was concluded with a term until December 2018. The renewed contract provides for a possible reduction of hotel capacity should the new owner decide to convert hotel capacity into commercial space on the basis of a strategic repositioning of the premises.

In connection with the sale of the Steigenberger Hotel in Berlin, at Los-Angeles-Platz, effective from January 31, 2007 the buyer undertook to have renovations done to the total amount of € 8.8 million. A start was made on the renovation of rooms, bathrooms and public areas, and on an extensive reshaping of the restaurant facilities and the fitness and wellness areas, immediately after the ITB in Berlin. The work will probably be completed in December 2008. The Steigenberger Hotels Aktiengesellschaft is carrying out the renovations on the basis of an implementation agreement concluded in February 2007 in the name and for the account of the owner.

With effect from March 1, 2008 the current lease for the Steigenberger Inselhotel Konstanz with the present owner was extended, ahead of schedule, by a further ten years until 2025. As part of the terms of renewal of the agreement the Steigenberger Hotels Aktiengesellschaft and the owner undertook to carry out extensive investment, which also began in March 2008 and has a total volume of € 4 million.

As of February 13, 2008 the franchise agreement for the Steigenberger Hotel Der Sonnenhof in Bad Wörishofen was renewed with the current owner on virtually unchanged conditions for another three years until March 31, 2011.

March 3, 2008 saw the start of scheduled extensive renovation and reconstruction work at the Steigenberger Duisburger Hof. The renovations there are scheduled to be completed by the end of 2008 and will cover not only rooms, bathrooms and public areas but also the entrance area, the restaurant facilities, certain parts of the back office and the technical equipment unit. The bulk of the financing is to be done via a grant by PICNIC Grundstücksverwaltung GmbH subject to the "capital grant agreement" concluded.

In line with the expansion of the InterCityHotels at strategically important central locations – railroad stations and airports in Germany – the InterCityHotel was opened in Dresden, on schedule, as of March 1, 2008 after 12 months construction time. The InterCityHotels also held a topping-out ceremony for the new InterCityHotel at the rail station in Essen on February 8, 2008. The hotel has 168 rooms and will probably welcome its first guests at the end of August 2008.

Frankfurt am Main, March 17, 2008

Consolidated balance sheet as of December 31, 2007

ASSETS		€	€	€	For comparison Dec 31, 2006 € 1,000
A. Fixed assets					
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, plus licenses to such rights and assets		1,090,419			1,302
2. Goodwill		3,256,677			3,698
			4,347,096		5,000
II. Property, plant and equipment					
1. Property, property-equivalent rights and buildings, including buildings on third-party property		20,153,829			20,336
2. Technical equipment and machinery		9,772,205			5,717
3. Other installations, operating and office equipment		12,858,512			11,930
4. Down payments effected, construction assets		6,632,865			1,553
			49,417,412		39,536
III. Financial assets					
1. Shares in affiliated companies		25,565			26
2. Shares in associated companies		1,484,393			1,509
3. Shareholdings		0			5,602
4. Securities from fixed assets		0			25
5. Other loans		2,822,147			3,890
			4,332,105		11,052
				58,096,613	55,588
B. Current assets					
I. Inventories					
1. Raw, auxiliary and operating materials		1,310,780			1,543
2. Unfinished services		303,935			38
3. Goods		1,781,942			1,593
			3,396,657		3,174
II. Receivables and other assets					
1. Trade receivables		8,040,091			5,857
thereof, with a residual term of more than one year: €	0				(0)
2. Receivables from affiliated companies		0			1,222
thereof, with a residual term of more than one year: €	0				(0)
3. Receivables from companies with a participatory financial interest		231,713			2,376
thereof, with a residual term of more than one year: €	0				(0)
4. Other assets		9,057,621			9,783
thereof, with a residual term of more than one year: €	1,091,166				(1,741)
			17,329,425		19,238
III. Securities					
Other securities			26,075		2
IV. Cash balance, credit balance at banks, checks			9,258,827		6,618
				30,010,984	29,032
C. Prepaid expenses				7,125,916	6,251
D. Accruals and deferrals for deferred taxes				4,038,000	6,569
				99,271,513	97,440

LIABILITIES			€	€	€	For comparison Dec 31, 2006 € 1,000
A. Shareholder equity						
I. Subscribed capital				12,480,000		12,480
II. Capital reserves				4,272,990		4,273
III. Retained earnings						
1. Statutory reserves			1,088,158			1,088
2. Other retained earnings			3,499,053			3,693
				4,587,211		4,781
IV. Consolidated net loss				–4,860,433		–5,047
V. Deferred charges for minority interests				6,606		7
					16,486,374	16,494
B. Provisions						
1. Provisions for pensions and similar commitments				8,590,138		7,899
2. Tax provisions				7,419,780		7,677
3. Other provisions				25,818,026		21,981
					41,827,944	37,557
C. Liabilities						
1. Down payments received on orders				6,473,474		4,875
thereof, with a residual term of up to one year:	€	6,473,474				(4,875)
2. Trade payables				15,378,945		13,711
thereof, with a residual term of up to one year:	€	15,378,945				(13,711)
3. Payables to affiliated companies				8,166,715		7,698
thereof, with a residual term of up to one year:	€	497,336				(28)
4. Payables to companies with a participatory financial interest				0		5,430
thereof, with a residual term of up to one year:	€	0				(5,430)
5. Other liabilities				7,625,332		8,798
thereof, from taxes:	€	3,018,023				(2,589)
thereof, under social security requirements:	€	638,377				(630)
thereof, with a residual term of up to one year:	€	7,495,925				(8,592)
					37,644,466	40,512
D. Prepaid income					3,312,729	2,877
					99,271,513	97,440

Consolidated income statement for the financial year January 1 to December 31, 2007

				For comparison 2006
		€	€	€ 1,000
1. Sales revenue		275,443,146		282,159
2. Change in volume of unfinished services		266,277		–123
3. Other operating income		33,065,951		27,470
			308,775,374	309,506
4. Material expenses				
a) Expenses for raw, auxiliary and operating materials and for goods bought		–47,497,626		–49,592
b) Expenses for services obtained		–23,396,704		–22,233
			–70,894,330	–71,825
			237,881,044	237,681
5. Personnel expenses				
a) Wages and salaries		–79,556,478		–79,763
b) Social insurance contributions and expenses for retirement benefits and staff pensions		–17,068,010		–17,522
thereof, for retirement benefits: €	2,263,940			(2,135)
			–96,624,488	–97,285
6. Depreciation and amortisation of intangible assets, fixed assets and property, plant and equipment			–9,103,608	–7,637
7. Other operating expenses			–125,449,299	–130,787
			6,703,649	1,972
8. Income from loans of financial assets		159,077		121
9. Other interest and similar income		145,993		606
10. Depreciation and amortisation of financial assets		0		–19
11. Interest and similar expenses		–2,073,829		–1,969
thereof, to affiliated companies: €	1,087,326			(1,196)
12. Result from associated companies		279,068		234
			–1,489,691	–1,027
13. Result from ordinary business activity			5,213,958	945
14. Taxes on income and profits			–5,027,238	–520
15. Consolidated net profit			186,720	425
16. Losses brought forward			–5,047,152	–5,472
17. Consolidated net loss for the year			–4,860,433	–5,047

Changes in consolidated fixed assets in the 2007 financial year

	Acquisition and/or manufacturing costs					
	Jan 1, 2007 €	Accruals €	Disposals €	Transfers €	Curreny differences €	Dec 31, 2007 €
A. Fixed assets						
I. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, plus licenses to such rights and assets	5,777,492	149,300	85,432	868	0	5,842,227
2. Goodwill, less negative difference	7,095,589	0	0	0	0	7,095,589
resulting from capital consolidation	−205,716	0	0	0	0	−205,716
	6,889,872	0	0	0	0	6,889,872
	12,667,364	149,300	85,432	868	0	12,732,099
II. Property, plant and equipment						
1. Property, property-equivalent rights and buildings, including buildings on third-party property	40,044,216	2,149,963	42,278	−314,456	0	41,837,445
2. Technical equipment and machinery	22,058,927	5,275,459	871,867	687,917	0	27,150,436
3. Other installations, operating and office equipment	52,096,755	5,645,281	3,209,849	−245,335	−51,632	54,235,219
4. Down payments effected, construction assets	1,553,237	5,281,214	6,150	−194,389	−1,047	6,632,865
	115,753,134	18,351,917	4,130,144	−66,262	−52,680	129,855,966
III. Financial assets						
1. Shares in affiliated companies	44,738	0	19,173	0	0	25,565
2. Shares in associated companies	278,227	0	0	0	0	278,227
3. Shareholdings [1]	5,628,054	600,128	6,202,618	0	0	25,565
4. Securities from fixed assets	24,564	0	0	−24,564	0	0
5. Other loans	3,894,032	1,230,960	2,295,193	0	−4,470	2,825,328
	9,869,615	1,831,088	8,516,984	−24,564	−4,470	3,154,684
	138,290,113	20,332,305	12,732,560	−89,958	−57,150	145,742,750

1 € 6,171,790 of the disposals is attributable to the net book value of the shareholding in MOLROSA KG as of November 30, 2007; this is offset against the corresponding net worth of MOLROSA KG.

Depreciation and amortisation						Net book value	
Jan 1, 2007 €	Accruals €	Disposals €	Transfers €	Currency differences €	Dec 31, 2007 €	Dec 31, 2007 €	Dec 31, 2006 €
4,475,413	284,994	8,598	0	0	4,751,808	1,090,419	1,302,079
3,295,306	475,037	0	0	0	3,770,343	3,325,245	3,800,282
−102,861	−34,287	0	0	0	−137,148	−68,568	−102,855
3,192,445	440,750	0	0	0	3,633,195	3,256,677	3,697,427
7,667,858	725,744	8,598	0	0	8,385,004	4,347,096	4,999,506
19,708,266	1,989,749	21,328	6,929	0	21,683,616	20,153,829	20,335,950
16,341,818	1,890,743	854,330	0	0	17,378,231	9,772,205	5,717,109
40,166,629	4,463,084	3,246,078	−6,929	0	41,376,707	12,858,512	11,930,125
0	0	0	0	0	0	6,632,865	1,553,237
76,216,714	8,343,577	4,121,737	0	0	80,438,554	49,417,412	39,536,421
19,173	0	19,173	0	0	0	25,565	25,565
−1,230,310	−279,068	−303,212	0	0	−1,206,166	1,484,393	1,508,537
25,565	0	0	0	0	25,565	0	5,602,490
0	0	0	0	0	0	0	24,564
3,181	0	0	0	0	3,181	2,822,147	3,890,850
−1,182,391	−279,068	−284,039	0	0	−1,177,420	4,332,105	11,052,006
82,702,181	8,790,253	3,846,296	0	0	87,646,137	58,096,613	55,587,932

Foreword

The 2007 consolidated financial statements were drawn up in accordance with the provisions of the HGB (German Commercial Code) for large stock corporations and the supplementary provisions of AktG (German Stock Corporation Act).

The total-cost method was used for the drawing up of the income statement. That method is appropriate to the structure of the consolidated group.

Departing from the statutory structuring laid down in Art. 275/2 HGB, the other taxes to be shown under item no. 19 from the 2007 financial year on are shown under the other operating expenses, as these are operating taxes.

The full implementation of the "Uniform Accounting and Valuation Guideline of the Steigenberger Hotels Aktiengesellschaft" resulted in various changes in the declaration of sales revenue, other operating income, material expenses, wages and salaries, other operating expenses and interest and similar expenses in the 2007 financial year. For ease of comparison the figures for the previous year were adjusted accordingly.

Consolidation

Consolidated group

As of December 31, 2007 the consolidated group includes the Steigenberger Hotels Aktiengesellschaft and seven German and four foreign companies in which the Steigenberger Hotels Aktiengesellschaft has, directly or indirectly, a majority of the voting rights (Art. 290/1 HGB).

There is also a direct majority shareholding in one further German company, which is not included in the consolidated financial statements because of its secondary importance (Art. 296/2 HGB). For the same reason this company has not been included at equity, in pursuance of Art. 311/2 HGB.

A German company which is operated jointly with a non-consolidated company is included pro rata in the consolidated financial statements subject to Art. 310/1 HGB.

Pursuant to Art. 312/1/1 HGB, two foreign companies, on whose corporate or finance policy decisive influence is exerted because of the share of voting rights and/or actual influence through membership of the Management and/or Supervisory Boards (associated companies), are included in the consolidated financial statements using the equity method.

There were no changes in the composition of the consolidated group compared with the previous year.

Consolidated financial statements closing date

The consolidated financial statements closing date (December 31, 2007) is the same as the date for the annual financial statements of the parent company and all the consolidated subsidiaries, joint enterprises and associated companies.

Consolidation principles

Under the right of choice of method determined by statute the consolidation of investments was effected in accordance with the book value method (Art. 301/1/2/1 HGB) on the basis of the valuations for the shares in the companies included in the consolidated financial statements at the time of acquisition or establishment or alternatively at the time of first inclusion in the consolidated accounts. If at the time of first consolidation an asset-side difference arose, this difference amount was allocated to the hidden reserves contained in the assets of the subsidiaries, and any difference in excess of that was carried as assets under the heading of goodwill, which is written off as scheduled over the expected useful economic life of 15 years. The difference of € 4.023 million on the assets side that arose through the transitional consolidation of the STAG Hotelverwaltungs-Gesellschaft mbH, Vienna, was, under Art. 309/1/3 HGB, offset against retained earnings. A difference on the liabilities side is, under DRS 4, no. 39, openly (in the table of changes in consolidated fixed assets) deducted from the capitalised goodwill and released, as scheduled, over a period of six years.

The development of goodwill in the consolidated group as of balance sheet date was as follows:

Historical acquisition costs		7,095,588.58 €
Accumulated depreciation and amortisation	Dec 31, 2006	3,295,306.21 €
Depreciation and amortisation in the financial year		475,037.25 €
Accumulated depreciation and amortisation	Dec 31, 2007	3,770,343.46 €
Book value	Dec 31, 2007	3,325,245.12 €
Book value	Dec 31, 2006	3,800,282.37 €

The negative difference arising from the consolidation of investments and openly deducted from goodwill is dissolved in straight-line form over a period of six years on the basis of the average remaining useful economic life of the assets, and it developed as follows:

Historical acquisition costs		205,716.35 €
Accumulated dissolution		137,148.35 €
Book value	Dec 31, 2007	68,568.00 €
Book value	Dec 31, 2006	102,855.09 €
Dissolution for the financial year	(other operating income)	34,287.09 €

The deferred charges for the shares in external ownership contain the shares of shareholder equity accounted for by non-consolidated third parties.

Under Art. 303 HGB in the debt consolidation the receivables, provisions and liabilities were eliminated between the companies included in the consolidated financial statements. Any currency differences resulting from this are included under operating income. As part of the consolidation of expenses and income the sales revenue arising between the companies included in the consolidated financial statements, together with the other income items, were offset against the corresponding expenses as required by Art. 305 HGB.

In cases where, in the individual company financial statements, assets of included companies, shown on the balance sheet, were sold to other companies in the consolidated group, the interim profits or losses thus incurred up to the end of 2005 were eliminated under Art. 304 HGB. In the year under review, as in the year before, it was decided not to eliminate any interim profits or losses on grounds of secondary importance, as laid down in Art. 304/2 HGB.

In the proportional consolidation under Art. 310 HGB the consolidation of debts, expenses and income was done on a pro rata basis.

Associated companies

The companies Exploitatie Mattschappij Hotel Kurhaus vof, The Hague, and Steigenberger Middle East Hotels & Resorts S.A.E., Cairo, are shown as associated companies in the consolidated financial statements and carried in the balance sheet according to the equity method under Art. 312/1/1/1 HGB (book value method).

Accounting, Valuation and Conversion Methods

Uniform principles of accounting and valuation were used for the fully consolidated companies included in the consolidated financial statements. Slight deviations in the case of foreign subsidiaries are without significance. The annual financial statements of the foreign associated companies were adapted to the accounting principles of the parent company.

Intangible assets under fixed assets and property, plant and equipment were assessed at acquisition or manufacturing cost, less scheduled and unscheduled depreciation and amortisation. Scheduled depreciation and amortisation were in principle carried out on a linear basis.

For intangible assets the useful economic life is generally assessed as two to five years, or 15 years in the case of goodwill, at eight to 25 years for extensions built in third-party buildings, and at four to ten years for technical equipment and machinery and for other operations, operating and office equipment. For movable assets the depreciation is done on a pro rata temporis basis.

The low-value assets continue to be depreciated in linear form on the basis of a useful economic life of three or five years.

To assess the fixed value of glass, silver and china the Steigenberger Hotels Aktiengesellschaft in 2006 and the InterCityHotel GmbH in 2005 carried out physical inventories and valuations. The assessment rate for the fixed value comes to 50% of the historical acquisition costs.

Financial assets were assessed at acquisition cost and, where necessary, shown less unscheduled write-offs and, as appropriate, plus write-ups. The write-offs were carried out in cases where the acquisition costs are higher than the fair value of the shareholdings as of the financial statements closing date. Write-ups were effected in cases when the reasons for a write-off undertaken in previous financial years no longer existed (Art. 298/1 together with Art. 280/1 HGB).

The **raw, auxiliary and operating materials** were valued at acquisition cost. A fixed value of € 343,000 (€ 336,000 in 2006) was established for marketing and office materials.

The **unfinished services and goods** were valued at acquisition or manufacturing cost. The manufacturing costs comprise only direct costs. The principle of loss-free valuation was complied with.

The **receivables and other assets** were assessed at nominal value (acquisition cost) or at the lower fair value as of balance sheet date. The special risks entailed in the receivables item were taken into account through the creation of specific allowances or provisions. Irrecoverable receivables were written off.

In addition a collective provision amounting to 2% of total receivables value was created in order to cover the general credit risk in connection with **trade receivables**.

Securities from current assets are capitalised at acquisition cost.

Cash balance, credit balance at banks and checks were assessed at nominal value.

The assessment of **prepaid expenses** is done in the amount of the expenses incurred as of the balance sheet date in cases when they refer to future periods of time, and in accordance with Art. 298/1 and 250/1/2 HGB at the level of sales tax on down payments received.

According to the mandatory regulations of the German Accounting Standards Authority (DRS 10), **deferred tax assets** in the consolidated group are capitalised on the time differences between the tax and the trade statements, using tax losses brought forward that have not yet been utilised, in cases when income that will be subject to tax in the future, and can be offset against the losses brought forward, can be expected with reasonable certainty. The calculation is based on the assumption that the losses brought forward will be utilisable for five years.

Pension entitlements at the German subsidiaries are assessed according to the entry-age normal method laid down in Art. 6a EStg (German Income Tax Act), using the 2005 G guideline of Prof. Dr. Klaus Heubeck. In the case of the Steigenberger Hotels Aktiengesellschaft and the InterCityHotels GmbH an interest rate of 5% was applied (previous year Steigenberger Hotels Aktiengesellschaft 5.5% or 6.0%, and the InterCityHotel GmbH 6.0%). The change in the interest rate resulted in a € 378,000 higher provision. The valuation of the pension entitlements at the STAG Hotelverwaltungs-Gesellschaft mbH, Vienna, continues to be based on an interest rate of 4%. Other **pension commitments** are assessed at cash value using the Heubeck 2005 G guideline on the basis of an interest rate of 5.0% (previous year 6.0%). The result was to raise the provision amount by € 71,000.

The **anniversary provisions** are based on a flat-rate value procedure in accordance with the BMF letter of October 29, 1993, using the 1998 guideline and an interest rate of 5.5%. In the year under review the obligation to pay anniversary bonuses for ten years of service was fulfilled for the first time. The obligation will also be met in respect of the social insurance contributions by the employer that are due with future anniversary bonuses. The resulting allocation to provisions amounted to € 508,000.

Tax and other provisions were created to meet unplanned-for commitments on the principle of reasonable commercial judgement. They take into account the mandatory accounting risks and commitments ascertainable for the period up to the drawing up of the balance sheet up to the expected utilisation amount. There also exist small-scale expenditure provisions pursuant to Art. 298/1 and 249/2 HGB. The tax provisions also contain deferred taxes to the amount of € 192,000.

The **liabilities** are valued at the redemption amounts applicable in each individual case.

The **deferred prepaid expenses** are assessed at the value of the amounts received as of the balance sheet date provided they are attributable to future periods of time.

Currency conversion

In the annual financial statements of the consolidated companies the foreign-currency items were basically valued subject to the exchange rates at the time of acquisition. A possibly lower exchange rate value at balance sheet date was taken into consideration for the items on the assets side, and a possibly higher one for the liability items.

In the consolidated financial statements the individual company financial statements drawn up in foreign currency were converted in accordance with the modified closing rate method.

The investments consolidation of the Swiss subsidiary was effected at the historical rates. Currency differences resulting from the consolidation of investments are considered in the retained earnings. Income and expenditure items in the income statement of this company are converted at the year-average exchange rate against the euro. A difference of € 4,000 resulted from the conversion of the year-end result in the income statement at the year-average rate of € 0.6088 to the Swiss franc compared with the reference rate at balance sheet date, namely € 0.6043, and this difference was offset against retained earnings without effect on net income.

Notes on Balance Sheet

Fixed assets

The structuring and development of the assets shown in the consolidated balance sheet, together with write-offs and write-ups for the 2007 financial year, are set out in the attached table of changes in consolidated fixed assets.

Property, plant and equipment

The accruals for **buildings, technical equipment and machinery**, and also for **other installations, operating and office equipment**, basically relate to installations by tenants and the purchase of equipment for restaurant and bistro needs in a number of hotels.

Under an investment programme the PICNIC Grundstücksverwaltung GmbH allowed the Steigenberger Hotels Aktiengesellschaft a non-repayable investment grant of € 5,135,000. This grant was deducted directly from the acquisition costs of the subsidized assets.

The Steigenberger Hotels AG, Thalwil (Switzerland) carried out an inventory of assets in the year under review. This resulted in the writing off of property, plant and equipment with a net book value of € 61,000.

Financial assets

We refer to the enclosed list of shareholdings drawn up in pursuance of Art. 313/2 HGB.

Current assets

The bulk of the **trade receivables** in Germany are financed and collected by a factoring company. The receivables not yet paid by the factoring company are declared under other assets.

Receivables from companies with a participatory financial interest result from deliveries and services.

The **other assets** consist in particular of the receivables of the Steigenberger Hotels Aktiengesellschaft and the InterCityHotel GmbH resulting from factoring. There are assets from current income taxes to the amount of € 1,022,000.

Prepaid expenses

The assets-side prepaid expenses include the expenses in connection with the renovation of the basic installations at the Steigenberger Frankfurter Hof, completed in 1996, in the amount of € 1.4 million. The consolidated financial statements also show expenses for major construction work in 2001 at the Hotel Belvédère, Davos, costing € 2.5 million. The dissolution of the two items was done on the basis of the remaining lease commitment period.

Consolidated shareholder equity for the 2007 financial year

	Parent company					Minority shareholders			Consol. shareholder equity
	Subscribed capital	Capital reserves	Earned consolidated equity	Accumulated other consolidated result	Equity as per consol. balance sheet	Minority capital	Accumulated other consol. result	Share-holder equity	
	Common shares			Deferred charges from foreign currency conversion			Deferred charges from foreign currency conversion		
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
As of Jan 1, 2006	12,480	4,273	–1,756	912	15,909	7	0	7	15,916
Other changes	0	0	0	153	153	0	0	0	153
Consolidated net profit	0	0	425	0	425	0	0	0	425
As of Dec 31, 2006	12,480	4,273	–1,331	1,065	16,487	7	0	7	16,494
Other changes	0	0	0	–195	–195	0	0	0	–195
Consolidated net profit	0	0	187	0	187	0	0	0	187
As of Dec 31, 2007	12,480	4,273	–1,144	870	16,479	7	0	7	16,486

Accruals and deferrals for deferred taxes

Of the deferred taxes shown in the consolidated financial statements under the item accruals and deferrals for deferred taxes, the Steigenberger Hotels Aktiengesellschaft, Frankfurt am Main, accounted for € 2,449,000, the Steigenberger Hotels AG, Thalwil (Switzerland) accounted for € 150,000 and the STAG Hotelverwaltungs-Gesellschaft mbH, Vienna, for € 1,439,000. Profits tax was assessed at a rate of 30 % for Germany and 25 % for Switzerland and Austria. In the 2007 financial year assets-side latent taxes were liquidated on the basis of the reversal of time differences and the utilisation of losses brought forward totalling € 2,531,000.

To cover the time differences between the trade balance figures according to local accounting rules at the Steigenberger Hotels AG, Thalwil (Switzerland), on one hand, and HB II (trade balance II) on the other, a liabilities-side deferred taxes item was also formed to the amount of € 192,000, and is declared under tax provisions. These taxes are assessed at the profits tax rate of 25 % for Switzerland.

Consolidated shareholder equity

The structuring and development of the shareholder equity in the consolidated group are set out in a separate shareholder equity statement, as required by DRS 7.

About 99.6% of the **subscribed capital** of € 12.48 million is held by the LISICA Beteiligungen GmbH. The remaining 0.4 % of the shares are in diversified holdings. The capital stock is fully paid and divided into 480,000 non-par-value shares. The shares are in each case designated by holder.

Liabilities statement for the 2007 financial year

Type of liability	Residual term up to 1 year € 1,000	Residual term 1 to 5 years € 1,000	Residual term over 5 years € 1,000	Total € 1,000	therof, secured by mortgage liens € 1,000
Down payments received on orders	6,473	0	0	6,473	0
Trade payables	15,379	0	0	15,379	0
Payables to affiliated companies	498	7,669	0	8,167	0
Other liabilities	7,496	129	0	7,625	0
Total	29,846	7,798	0	37,644	0

Provisions

The **provisions for pensions and similar commitments** are based on actuarial findings. The pension liabilities which under Art. 28/2 EGHGB are not carried on the liabilities side amount to € 6.745 million (€ 3.765 million in 2006).

The **tax provisions** are intended to cover above all risks from not yet concluded audits and their possible subsequent effects up to 2007.

The **other provisions** are basically concerned with cover against risks connected with audits, anniversary allowances, profit sharing, severance payments, lease withholding items, risks arising from management agreements, expenses for other pensions and outstanding bills.

Liabilities

The breakdown, residual terms and securing of **liabilities** are set out in the liabilities statement above.

A loan by the LISICA Vermögensverwaltung GmbH & Co. KG to the amount of €7.7m is shown under the **payables to affiliated companies**. The loan has a term until December 31, 2010; it is unsecured and interest is paid on it. Further, the PICNIC Grundstücksverwaltung GmbH still has a credit line up to € 15m which has been agreed up to December 31, 2008 and was not utilised up to closing date. The remaining payables to affiliated companies result largely from current delivery and service transactions.

Prepaid expenses

The prepaid or deferred income includes in particular the training fees of the Steigenberger Academie GmbH, the Steigenberger Hotelfachschule GmbH and the Steigenberger Hotelberufsfachschule GmbH (training institutes). These fees are charged to the trainees in full at the start of training, have been received and do not yet affect income. The deferred income is dissolved as progress is made through the training course.

Consolidated capital flow statement for January 1 to December 31, 2007

			2007 € 1,000	2006 € 1,000	Change € 1,000
1.		Period operating income before profits tax [1]	5,214	945	4,269
2.	+/–	Write-offs / write-ups (previous year including expenses on capitalised expenses for start-up and expansion of business operations)	9,104	7,655	1,449
3.	+/–	Increase / decrease in provisions [1]	4,525	2,712	1,813
4.	=	Operating cashflow	18,843	11,312	7,531
5.	+/–	Other non-cash expenses / income	–516	–360	–156
6.	+/–	Loss / profit from disposal of items of fixed assets (balance)	–146	13	–159
7.	–/+	Increase / decrease of inventories and trade receivables, also other asset items which are not attributable to investment and financing activities [1]	–1,281	6,605	–7,886
8.	+/–	Increase / decrease of trade receivables and other liabilities which are not attributable to financing activities (including counter-balanced exchange rate effects)	7,554	–4,469	12,023
9.	–	Paid profits tax [1]	–3,555	–158	–3,397
10.	=	Cashflow from current business operations	20,899	12,943	7,956
11.	+	Receipts from disposals of property, plant and equipment	138	2,719	–2,581
12.	–	Disbursements for investments in property, plant and equipment	–23,487	–12,901	–10,586
13.	+	Receipts from investment grants	5,135	1,851	3,284
14.	+	Receipts from disposal of intangible assets	76	0	76
15.	–	Disbursements for investment in intangible assets	–149	–815	666
16.	+	Receipts from disposal of financial assets	2,389	150	2,239
17.	–	Disbursements for financial investment	–1,831	–1,506	–325
18	=	Cashflow from investments	–17,729	–10,502	–7,227
19.	+	Receipts from taking up loans	325	400	–75
20.	–	Disbursements for repayment of loans	–800	–113	–687
21.	–	Offsetting of loans received	0	–4,602	4,602
22.	=	Cashflow from financing activity	–475	–4,315	3,840
23.	=	Change in cash and cash equivalents affecting payment	2,695	–1,874	4,569
24.	+/–	Currency-dependent change in cash and cash equivalents	–54	–84	30
25.	+	Consolidation-dependent change in cash and cash equivalents	0	10	–10
26.	+	Cash and cash equivalents total at start of period	6,618	8,566	–1,948
27.	=	Cash and cash equivalents total at end of period	9,259	6,618	2,641

1 Figures for 2006 adjusted

Contingencies and other financial commitments

Resulting from sponsorship statements the Steigenberger Hotels Aktiengesellschaft had contingent liabilities towards third parties amounting to € 1,279,000 at balance sheet date (previous year: € 30,957,000).

The nominal value of the other financial commitments arising from leasehold and leasing agreements with various residual terms until 2036 at the latest amounted at closing date to € 743.3 million (previous year: € 775.5 million), of which the total vis-à-vis affiliated companies was € 165.6 million (previous year: € 165.8 million). These figures do not include the sales- and income-dependent lease components.

As of March 31, 2005 the Saanen hotel property was sold to Acron Helvetia II Immobilien AG and subsequently re-rented. Under that rent agreement the Steigenberger Hotels AG, Thalwil (Switzerland), undertook to invest 3 million Swiss francs in maintenance work in the period April 1, 2005 to May 31, 2008. A total of 1.93 million Swiss francs had been invested up to and including December 31, 2007. The remaining commitment thus amounts to 1.07 million Swiss francs as of closing date December 31, 2007.

Notes on Income Statement

Sales revenue

Breakdown by division

€ 1,000	2007	2006
Accomodation	149,805	149,762
Restaurants	93,816	96,971
Hotel services	15,448	19,950
Other[1]	16,374	15,476
	275,443	282,159

1 Including sales by service subsidiaries

The other sales revenue includes income from renting out and leasing, as also revenue retrenchments.

Business in Germany accounts for € 250.7 million of the total sales revenue of € 275.4 million, with € 24.7 million coming from other countries.

Other operating income

The other operating income (€ 33.1 million) consists basically of income from grants from the PICNIC Grundstücksverwaltung GmbH for maintenance and reconstruction work including income from the reimbursement of expenses for the extension work at the Steigenberger Airport Hotel (€ 10.3 million), income from the release of provisions and value adjustments (€ 3.8 million), refunds from suppliers (€ 3.5 million), and payments of damages (€ 3.0 million).

Material expenses

The material expenses result in particular from the use of raw materials and goods, energy costs, household expenses and from various expenses for auxiliary and operating materials.

The expenses for services obtained consist largely of expenses for third-party services in the area of room cleaning and similar services. Deviating from the previous year, this item also showed expenses for outsourced laundry (€ 4.5 million; previous year € 4.6 million); the figures for the previous year were adjusted.

Other operating expenses

The other operating expenses (€ 125.5 million) consist essentially of rent and lease payments, maintenance expenses, advertising expenses, cleaning costs and legal, advisory and auditing costs. The expenses for depreciation, amortisation and value adjustments on receivables and for book losses from asset disposals and other off-period expenses amounted to € 0.8 million. Other taxes are also shown under this item (€ 9,000 compared with € 259,000 in 2006).

Taxes on income and profits

The consolidated profits taxes (€ 5 million) consist chiefly of the dissolution of the capitalised item for deferred taxes (€ 2.5 million), the corporation and earned-income tax for the Steigenberger Hotels Aktiengesellschaft (€ 2.2 million) and the assessment of liabilities-side deferred taxes (€ 0.2 million).

Other Information

Members of the Supervisory and the Management Board

Supervisory Board

Dr. Ralf Corsten
(Chairman)
Attorney

Hans Kimm*
(Deputy Chairman)
Hotel Management Officer,
Steigenberger Hotels Aktiengesellschaft

Frauke Dittmann*
Ex-member of the Executive Board of the Catering and Restaurants labor union
(till Dec 31, 2007)

Klaus-Peter Müller
Spokesman for the Management Board of Commerzbank Aktiengesellschaft,
Bank Management Officer

Günter Poppelreuter*
Head of Group Purchases,
Steigenberger Hotels Aktiengesellschaft

Michaela Rosenberger*
Deputy Chairwoman of the Catering and Restaurants labor union
(since Jan 1, 2008)

Klaus Schroeter*
Head of the Wages Department of the Catering and Restaurants labor union

Anne-Marie Steigenberger
Business Management Officer

Bettina Steigenberger
Business Management Officer

Christine Steigenberger
Business Management Officer

Claudia Steigenberger
Business Management Officer

Willi Vetter*
Pastry Chef,
Steigenberger Hotels Aktiengesellschaft

Holger Wilhelm*
Chairman of the Works Council
of the Steigenberger Hotels Aktiengesellschaft,
Division Director Airport Restaurants
Frankfurt am Main,
Hotel Management Officer

*Employee representatives

Management Board

André Witschi
(since Feb 1, 2008)
Board Chairman, operations of all hotels and restaurants, human resources, corporate development, corporate communications, sales/distribution, marketing, quality management

Matthias Heck
Board member for finances and accounting, controlling and report system, data protection, IT, cost accounting, law/committees/insurance, purchase and procurement, construction/installations/technical equipment, environment protection

Karl Anton Schattmaier
(up to Jan 31, 2008)
Board Spokesman, work processes director, operations of all hotels and restaurants, human resources, corporate development, corporate communications, sales/distribution, marketing, environment protection

The salary total for work done during the financial year by the Management Board of the Steigenberger Hotels Aktiengesellschaft covering activities in the parent company and the subsidiaries amounted to € 1.165 million in the year under review (previous year: € 1.413 million). In 2007 the salaries set aside for the 2007 financial year for members of the Supervisory Board came to a total of €405,000 (previous year: € 162,000).

Provisions totalling € 3.637 million were made for the pension commitments to former members of the Management Board and surviving dependants of former personally liable shareholders (previous year: € 3.487 million). Current disbursements amounted to € 371,000 (previous year: € 361,000). The commitments to this group of people, which under Art. 28/2 EGHGB cannot be included in provisions, amount to € 6.745 million (€ 3.765 million in the previous year).

Year-average staff numbers

	2007	2006
Employees	2,471	2,554
Trainees	381	387
Total	2,852	2,941

On average for the year 2007, 108 of the above-stated consolidated group workforce were employed in the Steigenberger Gastronomie GmbH (pro rata; the 2006 figure was 113).

Consolidated net loss

The 2007 consolidated net profit amounted to € 186,719.54. Taking into account the losses brought forward of € 5,047,152.14, there was a consolidated net loss for the year of € 4,860,432.60.

Announcement under Art. 20/4 of the AktG (Stock Corporation Act)

The Steigenberger Hotels Aktiengesellschaft has received information under Art. 20/4 AktG (Stock Corporation Act) from the LISICA Beteiligungen GmbH, Frankfurt am Main. In this announcement the LISICA Beteiligungen GmbH informs the Steigenberger Hotels Aktiengesellschaft that it directly holds a majority share of the capital stock of the Steigenberger Hotels Aktiengesellschaft.

Consolidated financial statements

The parent company that draws up the consolidated financial statements for the largest number of companies is the LISICA Vermögensverwaltung GmbH & Co. KG, Frankfurt am Main. The consolidated financial statements will be submitted to the operator of the electronic Federal Government Gazette.

The consolidated financial statements of the Steigenberger Hotels Aktiengesellschaft, Frankfurt am Main, as of December 31, 2007, is included, as a subgroup, in the consolidated financial statements of the LISICA Vermögensverwaltung GmbH & Co. KG, Frankfurt am Main, for December 31, 2007.

Frankfurt am Main, March 17, 2008

The Management Board

André Witschi

Matthias Heck

Auditor's Certificate

"We have audited the consolidated financial statements drawn up by the Steigenberger Hotels Aktiengesellschaft, Frankfurt am Main – consisting of balance sheet, income statement, notes, capital flow statement and statement of changes in shareholder equity – and the consolidated group management report for the financial year January 1 to December 31, 2007. The Management Board of the company is responsible for drawing up the consolidated financial statements and the consolidated group management report in accordance with the provisions of German commercial law. Our task is to provide an evaluation of the consolidated financial statements and the consolidated group management report on the basis of the audit carried out by us.

We carried out our audit of the consolidated financial statements duly and correctly, pursuant to Art. 317 HGB and subject to the principles laid down by the IDW (German Institute of Auditors). In accordance with those requirements the audit must be planned and performed in such a way that incorrect statements and infringements that have a material effect on the picture of the company's assets and its financial and profits situation are detected with reasonable certainty. That picture is presented by means of the consolidated financial statements and the consolidated group management report, which must themselves be based on due and correct accounting in accordance with the stated principles. In determining the auditing procedures, two of the factors taken into consideration are: knowledge of the business activity and the financial and legal situation of the consolidated group, and expectations as to possible errors. The audit involves assessing, largely on the basis of spot checks, the effectiveness of the accounting-related internal controlling system and the evidence for the correctness of the figures given in the consolidated financial statements and the consolidated group management report. The audit includes an evaluation of the following: the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the group of consolidated companies, the principles of accounting and consolidation applied and the most important assessments by the Management Board; it also includes an evaluation of the overall presentation of the consolidated financial statements and the consolidated group management report. We believe that our audit provides a sufficiently secure basis for our assessment.

Our audit did not give rise to any objections.

In our judgement and on the basis of the knowledge we have gained, the consolidated financial statements are in accordance with the statutory provisions, present a picture of the assets and the financial and profits situation of the consolidated group that corresponds to the actual facts and were drawn up in accordance with the principles of due and correct accounting. The consolidated group management report is in conformity with the consolidated financial statements, presents overall an accurate picture of the situation of the consolidated companies, and sets out accurately the opportunities and risks for future development."

Frankfurt am Main, March 18, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Auditors

(Uwe Theiß)
Auditor

(ppa. Detlef Reichenbach)
Auditor

List of shareholdings as of December 31, 2007 as required by Art. 313/2 HGB

	Capital shares in %
I. Affiliated companies (consolidated)	
Steigenberger Consulting GmbH, Frankfurt am Main	100
H.E.A.D. HOTEL EQUIPMENT AND DESIGN GmbH, Frankfurt am Main	100
Steigenberger Akademie GmbH, Bad Reichenhall	100
Steigenberger Hotelfachschule GmbH, Bad Reichenhall	100
Steigenberger Hotelberufsfachschule GmbH, Bad Reichenhall	100
Steigenberger Gourmet Service GmbH, Frankfurt am Main	100
InterCityHotel GmbH, Frankfurt am Main	100
Steigenberger Hotels AG, Thalwil (Switzerland)	99.97
Steigenberger Nederland B.V., The Hague (Netherlands)	100
STAG Hotelverwaltungs-Gesellschaft mbH, Vienna (Austria)	100
Steigenberger Italia S. r. L., Merano (Italy)	100
II. Affiliated companies (not consolidated)	
Steigenberger Gourmet Selection Service GmbH, Frankfurt am Main	100
III. Joint enterprises (consolidated pro rata)	
Steigenberger Gastronomie GmbH, Frankfurt am Main	50.01
IV. Associated companies (valuation at equity)	
Exploitatie Maatschappij Hotel Kurhaus vof, The Hague (Netherlands)	33.33
Steigenberger Middle East Hotels & Resorts S. A. E., Cairo (Egypt)[5]	50

1 Result before surrender of profits to Steigenberger Hotels Aktiengesellschaft
2 Result including surrender of profits of Steigenberger Hotelberufsfachschule GmbH, Bad Reichenhall
3 Result before surrender of profits to Steigenberger Akademie GmbH, Bad Reichenhall
4 Figures as shown in tax statement
5 Figures for the 2006 financial year (not tested)

Share of voting rights in %	Currency	Shareholder equity in 1,000	Result in 1,000
100	EUR	143	32
100	EUR	180	2,239 [1]
100	EUR	696	207 [2]
100	EUR	289	38
100	EUR	28	176 [3]
100	EUR	95	70
100	EUR	6,533	2,768 [1]
99.97	CHF	14,471	434
100	EUR	200	14
100	EUR	1,588	263
100	EUR	34	22
100	EUR	33	1
50	EUR	2,182	132
33.33	EUR	4,426	837 [4]
50	EGP	–1,917	943