

- CONVENIENCE TRANSLATION -

Design Hotels AG publishes Report on Half-Year Results 2017

- **Revenue increases by 16 percent to Euro 11.36m**
- **EBITDA increases by 9.4 percent and goes up to Euro 1.31m**

Berlin, August 1, 2017 – Design Hotels AG (m:access, Munich: LBA; ISIN: DE0005141006) today publishes the results for the first half-year of 2017 according to the German Commercial Code (HGB).

Most important key performance indicators within the group

Revenues in the first six months of 2017 increased by 16% to Euro 11.36m (last year 9.79m). Revenues from membership fees grew by 1% to Euro 2.04m (2.01m). Booking commissions increased by around 30% to Euro 6.20m (4.77m) and remain the largest contributor to total revenues. Revenues from Marketing Products/Consulting increased by 4% to Euro 3.13m (3.00m).

Gross margin decreased in the first half-year 2017 compared to the same period in the previous year and came in at 55,5% (60).

EBITDA for the first half-year came in at Euro 1.31m (1.20m), which is an increase of 9.4%.

EBIT for the first half-year 2017 amounted to about Euro 1.14m, compared to Euro 1.00m in the same period of the last year.

The **Net Profit** (result after taxes) for the first half-year 2017 amounted to Euro 814,000, compared to Euro 684,000 in the same period of the last year. The **profit per share** was Euro 0.09 (0.08).

As per June 30, 2017, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 1.68m, as compared to Euro 1.22m as per December 31, 2016. As of the end of the reporting period, **shareholders' equity** was Euro 9.66m, as compared to Euro 8.91m at the beginning of the financial year. The balance sheet was free of liabilities to banks and noteworthy goodwill.

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Further comments

CEO Claus Sendlinger commented:

"We are satisfied with the performance of the first half-year 2017. We were once again able to record a revenue increase in all three main business areas. The disproportionately strong growth in revenue from booking commissions results from the connection of member hotels to the new Starwood booking channels as part of our partnership with Starwood/Marriott. We expect that approximately 60% of our member portfolio will be participating in the Starwood program by the end of the year and will be bookable on the Starwood channels."

Consolidated Report with detailed Key Figures for the 1st Half-Year 2017

Business Conditions and General Framework

Strong Results in the Travel Industry

In its report on the first half of 2017, the World Tourism Organization (UNWTO) reports a 6 percent growth in the number of arrivals in the international travel industry compared to the same period in the previous year. The Middle East, Africa, Europe and Asia-Pacific regions in particular recorded high numbers of arrivals. Even destinations that have recently been affected by terrorism show clear signs of recovery.

Revenue Performance

Solid Revenue Development in the First Half-Year

In the first half-year 2017, **Revenues** increased by 16 % to Euro 11.36m (9.79m) compared to the same period in 2016. All three main revenue streams – membership fees, booking commissions and marketing products/consulting – could be increased in the first six months of the reporting period.

Revenues from membership fees grew by 1%. The largest contributing revenue stream, the booking commissions, increased with about 30%. The strong increase is mainly due to the results achieved from the collaboration with Starwood Hotels & Resorts, Inc. Participating member hotels were able to gain additional revenue from the connectivity to Starwood's distribution channels. Therefore, Design Hotels was able to generate additional revenue from booking commissions.

In the first half-year 2017, the value of the generated overnight bookings for all Design Hotels member hotels increased by approx. 18% to Euro 161m (136m); the number of roomnights increased by approximately 15% to 628.00 (547.000) compared to same period in the previous year.

Revenues from marketing products/consulting could be increased by about 4%.

Revenue per employee increased by about 3.5% to Euro 118,000 (114,000). The average number of employees increased from 86 to 97. On June 30, 2017, 299 hotels were part of the Design Hotels group, compared to 302 at the same time in 2016 and 308 as per December 31, 2016. The total number of rooms was 20.632 (22.562) spread over 208 destinations in 59 countries. The average number of rooms was 69; the average room rate amounted to Euro 265.

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Gross Margin under Last Year's Level

The **Gross Margin** for the first half-year came in at 55.5% (60%), which is below the previous year's level. This is mainly due to the increased number of bookings through the Starwood channels, which, compared to the traditional channels via the reservations services provider Sabre, come along with higher direct costs.

Costs

Operating Costs above Last Year's Level

Total **Operating Costs** (Staff and Marketing Expenses, Cost of Sales and Administrative Expenses) for the first half-year amounted to Euro 4.96m (4.66m), which is above the result of the same period in the previous year. The increase is mainly due to the increase in staff expenses by almost 11 percent to Euro 3.40m (3.07m) compared to the same period of the previous year. In 2016, employee fluctuation was higher than expected and vacancies could not be filled in the first half-year of 2016, but only in the fourth quarter of the year. Therefore, the staff expenses have an impact on the current financial year.

Earnings, Financial and Asset Situation

Stable Balance Structure

EBITDA for the first half-year 2017 came in at Euro 1.31m (1.20m). In the first quarter, EBITDA was at Euro 489,000 (397,000); the second quarter showed an increase to Euro 819,000 (799,000).

EBIT for the first half-year showed a profit of about Euro 1.14m compared to about Euro 1.00m in the same period of the last year.

The **result after taxes** for the period came in at Euro 814,000, compared to Euro 684,000 in the same period last year.

Profit per Share for the first half-year was Euro 0.09 (0.08).

As per June 30, 2017, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 1.68m, compared to Euro 1.22m as per December 31, 2016. Cash and cash equivalents are expected to increase in the second half of the year. As of the end of the reporting period, **shareholders' equity** was Euro 9.66m, compared to Euro 8.91m at the beginning of the financial year and Euro 7.95m at the same point of time last year. The equity ratio was 69% (65% on 31.12.2016). The balance sheet was free of liabilities to banks and noteworthy goodwill. In the first half-year of 2017, cash flow was Euro 458,000 (216,000).

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Outlook

For the year 2017, Design Hotels expects total revenue of Euro 22.8 million and an earnings before interest and taxes of approx. Euro 2.29 million. In addition, management expects an EBT of Euro 2.32 million for 2017. In 2016, it was at Euro 2.40 million. The main reason for the slight decrease are increased staff expenses, which are likely to be higher by Euro 1 million in 2017.

Risk Report

The individual and market risks, which could influence the results of the Design Hotels group, remain the same as described in the risk report for 2016. The general economic climate in the first six months of 2017 was stable and the tourism sector showed a lively demand for travel services. No considerable risks jeopardizing the continued existence of the company have occurred.

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Group Overview

According to HGB

Consolidated Profit & Loss Statement

(all figures in Thousand Euro)

Total as per June 30		
	2017	2016
Revenue		
Annual License Fee	2.035	2.014
Commissions	6.199	4.769
Marketing Products/Consulting	3.125	3.004
Total Revenue	11.359	9.787
Cost of Sales	5.054	3.902
Gross Profit	6.305	5.885
Staff Expenses	3.404	3.074
Selling Expenses	662	776
Administration Expenses	890	807
Total Operating Expenses	4.956	4.657
Other Operating Income	335	137
Other Operating Expenses	376	169
EBITDA	1.308	1.196
EBIT	1.137	1.004
EBT	1.155	1.023
After-Tax Profit	814	684
Average Number of Employees	97	86
Revenue per Employee	118	114

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Consolidated Statement of Cash Flow

(all figures in Thousand Euro)

As per June 30		
	2017	2016
EBITDA from Profit and Loss Statement	1.308	1.196
Cashflow from investment activities	-173	-193
Balance of cash changes in operating activities	-677	-787
Change in securities portfolio	0	0
Change in cash and cash equivalents	458	216
Cash and cash equivalents at start of period	1.221	1.304
Cash and cash equivalents at end of period	1.679	1.520
Guarantees	156	99
Cash and cash equivalents	1.523	1.421

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Consolidated Balance Sheet

(all figures in Thousand Euro)

	30.06.2017		31.12.2016	
Assets				
Long-term Assets				
Fixed assets		774		774
Short-term Assets				
Inventory	731		731	
Accounts Receivable	3.245		3.245	
Receivables from affiliated companies	7.142		7.142	
Other Assets	371		371	
Liquid Funds and Securities	1.679	13.168	1.679	13.168
Total Assets		13.942		13.942
Liabilities				
Shareholder's Equity				
Share Capital	8.972		8.972	
Cumulative other equity capital	-1.847		-1.847	
Accumulated losses	2.531	9.656	2.531	9.656
Short-Term Liabilities				
Accruals	2.052		2.052	
Down-payments	1.018		1.018	
Accounts payable	205		205	
Other liabilities	1.011	4.286	1.011	4.286
Total Liabilities		13.942		13.942

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Change in Shareholder's Equity

(all figures in Thousand Euro)

	Share Capital	Loss carried forward	Directly in shareholder's equity included charges, profit, and loss	Total
As of 1.1.2016	8.972	7	-1.717	7.262
Group annual profit		687		687
Other consolidated results			5	5
Total result		687	5	692
As of 30.06.2016	8.972	694	-1.712	7.954
As of 1.1.2017	8.972	1.717	-1.776	8.913
Group annual profit		814		814
Other consolidated results			-71	-71
Total result		814	-71	743
As per 30.06.2017	8.972	2.531	-1.847	9.656

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About Design Hotels™

Design Hotels™ represents and markets a curated selection of more than 299 privately owned hotels in over 50 countries across the globe. Design Hotels offers them an international platform as well as comprehensive services: Conception, positioning, marketing, sales and other services and measures to optimize their revenues. As part of a worldwide creative network Design Hotels provides for innovation and exchange of ideas among its members, guests and visionary people from other branches. None of the Design Hotels members equals another. Each one has its own character, history and kind and manner how it blends in with the environment. All houses are connected through their uniqueness. They are formed by their creators, hoteliers, architects, designers and other creative minds whose passion form unrivalled events based on good ideas.

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