

- CONVENIENCE TRANSLATION -

Design Hotels AG publishes Report on Half-Year Results 2016

- **Revenue increases by 16 percent to Euro 9.8m**
- **EBITDA increases by 74 percent and goes up to Euro 1.2m**

Berlin, August 1, 2016 – Design Hotels AG (m:access, Munich: LBA; ISIN: DE0005141006) today reports and publishes the results for the first half-year of 2016 according to the German Commercial Code (HGB).

Most important key performance indicators within the group

Revenues in the first six months of 2016 increased by 16% to Euro 9.79m (last year 8.42m). Revenues from membership fees grew by 9% to Euro 2.01m (1.84m). Booking commissions increased by around 26% to Euro 4.77m (3.78m) and remain the largest contributor to total revenues. Revenues from Marketing Products/Consulting increased by 7% to Euro 3.00m (2.80m).

Gross margin decreased in the first half-year compared to the same period in the previous year and came in at 60 (63) %.

EBITDA for the first half-year came in at Euro 1.2m (689,000), which is an increase of 74%.

EBIT for the first half-year amounted to about Euro 1m, compared to Euro 509,000 in the same period of the last year.

The **Net Profit** (result after taxes) for the first half-year amounted to Euro 684,000, compared to Euro 364,000 in the same period of the last year. The **profit per share** was Euro 0.08 (0.04).

As per June 30, 2016, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 1.52m, as compared to Euro 1.30m as per December 31, 2015. As of the end of the reporting period, **shareholders' equity** was Euro 7.95m, as compared to Euro 7.26m 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 very content with the revenue result in the first half-year 2016. Once again we were able to increase revenues in all three main business areas. The disproportionately strong increase of revenues from Booking Commissions results from the connection of participating member hotels to the customer loyalty program Starwood Preferred Guest (SPG) and to the distribution channels of Starwood Hotels & Resorts in the scope of our collaboration with the company. By the end of 2016 we estimate that about 140 Design Hotels member hotels will join the Starwood Collaboration."

Consolidated Report with detailed Key Figures for the 1st Half-Year 2016

Business Conditions and General Framework

Continuous Growth in Travel Industry

The report of the World Tourism Organization UNWTO, which was published in July 2016, confirms that international tourism continues to be on the upswing. According to the *UNWTO Tourism Barometer*, international arrivals increased by 5 percent in the first four months of 2016, which corresponds to about 18 million more travellers. Some regions could even experience a double-digit percentage growth.

Net Assets, Financial Position, and Operational Results

Good Revenue Development in the First Half-Year

In the first half-year 2016, **Revenues** increased by 16 % to Euro 9.79m (8.42m) compared to the same period in 2015. 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 9%. The largest contributing revenue stream, the booking commissions, increased with about 26%. 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.

The value of the generated overnight bookings for all Design Hotels member hotels increased by approx. 19%, the number of bookings increased by approximately 21% compared to same period in the previous year.

Revenues from marketing products/consulting could be increased by more than 7%.

Revenue per employee increased by about 5% to Euro 114,000 (109,000). The average number of employees decreased from 77 to 86. On June 30, 2016, 302 hotels were part of the Design Hotels group, compared to 287 at the same time in 2015 and 306 as per December 31, 2015. The total number of rooms was 22.562 (21,499) spread over 201 destinations in 61 countries. The average number of rooms was 75; the average room rate amounted to Euro 251.

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Gross Margin under Last Year's Level

The **Gross Margin** for the first half-year came in at 60% (63%), which is below the previous year's level.

Costs

Operating Costs on 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 4.66m (4.69m), which is more or less equal with the result of the same period in the previous year.

Results and Financial Position

Stable Balance Structure

EBITDA for the first half-year 2016 came in at Euro 1.2m (689,000). In the first quarter, EBITDA was at Euro 397,000 (75,000); the second quarter showed an increase to Euro 799,000 (614,000).

EBIT for the first half-year showed a profit of about Euro 1m compared to Euro 509,000 in the same period of the last year.

The **result after taxes** for the period came in at Euro 684,000, compared to Euro 364,000 in the same period last year.

Profit per Share for the first half-year was Euro 0.08 (0.04).

As per June 30, 2016, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 1.52m, compared to Euro 1.30m as per December 31, 2015. 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 7.95m, compared to Euro 7.26m at the beginning of the financial year and Euro 6.52m at the same point of time last year. The equity ratio was 64% (69% on 31.12.2015). The balance sheet was free of liabilities to banks and noteworthy goodwill. In the first half-year of 2016, cash flow was EUR 216,000 (-563,000).

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Outlook

In July 2016, the UNWTO reported on a strong start for the international tourism industry and experts predict that the upswing will continue within the next months. United Kingdom's vote to leave the European Union as well as security concerns in some regions due to terrorist attacks are not expected to have a significant impact on international travel in the short term.

For the year 2016, Design Hotels expects total revenue of 20m Euros, which is about 1m Euros less than expected in the beginning of the year. The main reason for this is that member hotels who joined the Starwood Collaboration in 2016, were booked later on Starwood's distribution channels than expected in the beginning of the year.

Due to anticipated lower personnel costs in 2016, Management assumes, however, that the operational result will most likely amount to 1.9m Euro at the end of the year 2016.

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 2015. The general economic climate in the first six months of 2016 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		
	2016	2015
Revenue		
Annual License Fee	2.014	1.843
Commissions	4.769	3.779
Marketing Products/Consulting	3.004	2.800
Total Revenue	9.787	8.422
Cost of Sales	3.902	3.148
Gross Profit	5.885	5.274
Staff Expenses	3.074	3.181
Selling Expenses	776	729
Administration Expenses	807	776
Total Operating Expenses	4.657	4.686
Other Operating Income	137	147
Other Operating Expenses	169	46
EBITDA	1.196	689
EBIT	1.004	509
EBT	1.023	511
After-Tax Profit	684	364
Average Number of Employees	86	77
Revenue per Employee	114	109

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Consolidated Statement of Cash Flow

(all figures in Thousand Euro)

As per June 30		
	2016	2015
EBITDA from Profit and Loss Statement	1.196	689
Cashflow from investment activities	-193	-189
Balance of cash changes in operating activities	-787	-1.063
Change in securities portfolio	0	0
Change in cash and cash equivalents	216	-563
Cash and cash equivalents at start of period	1.304	5.713
Cash and cash equivalents at end of period	1.520	5.150
Guarantees	99	76
Cash and cash equivalents	1.421	5.074

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Consolidated Balance Sheet

(all figures in Thousand Euro)

	30.06.2016		31.12.2015	
Assets				
Long-term Assets				
Fixed assets		788		772
Short-term Assets				
Inventory	527		379	
Accounts Receivable	3.364		2.293	
Receivables from affiliated companies	5.807		5.667	
Other Assets	486		521	
Liquid Funds and Securities	1.520	11.704	1.304	10.164
Total Assets		12.492		10.936
Liabilities				
Shareholder's Equity				
Share Capital	8.972		8.972	
Cumulative other equity capital	-1.712		-1.717	
Accumulated losses	694	7.954	7	7.262
Short-Term Liabilities				
Accruals	1.740		1.530	
Down-payments	750		738	
Accounts payable	638		401	
Other liabilities	1.410	4.538	1.005	3.674
Total Liabilities		12.492		10.936

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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 1.1.2015	8.972	-1.113	-1.727	6.132
Group annual profit		364		364
Other consolidated results		1	25	26
Total result		365	25	390
As of 30.06.2015	8.972	-748	-1.702	6.522
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 per 30.06.2016	8.972	694	-1.712	7.954

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About Design Hotels™

Design Hotels™ represents and markets a curated selection of more than 300 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)