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## PRESS RELEASE

### Design Hotels Provides Corporate Update

- **Significant negative financial impact through Covid-19 Pandemic**
- **AGM 2020 intended to be held in the second half of the fiscal year**

*Berlin, June 18, 2020* Design Hotels AG today provides an update on its operations and financial guidance, and announces that it intends to hold its annual general meeting of shareholders in the second half of the fiscal year 2020.

### AGM 2020 intended to be held in the second half of the fiscal year

The Company normally holds its AGM in June, where management, inter alia, provides shareholders with an update on the state of the business. Since the Covid-19 pandemic limits public meetings, Germany created laws pursuant to which – in 2020 – ordinary shareholder meetings of German stock corporations do not need to be held within the first eight months of the fiscal year. The Company's management and the supervisory board decided to make use of this option and intend to hold the 2020 AGM at a later point in the second half of the fiscal year. The AGM might be held as a virtual shareholders meeting without physical presence of shareholders. The date and further details regarding the AGM will be communicated in due time.

### Corporate Update

The Company, however, felt it was appropriate to provide a mid-year update on the business and its performance due to the very significant negative impact caused by the Covid-19 pandemic.

The restrictive measures implemented globally to combat the spread of the Covid-19 pandemic have had a devastating impact on travel in general, and the hospitality industry in particular. Design Hotels is no exception. The hotels that are members of Design Hotels have been confronted with an unprecedented reduction in business. This, in turn, has had a major impact on revenues accruing to Design Hotels from Transaction Fees and Marketing and Consulting Services. The most severe impact so far was recorded in May, with revenues down by approximately 99%, as compared to the prior year. For the full fiscal year, the Company now anticipates a revenue decline of over 60%, with most of the revenues for the year booked during the first quarter, prior to the impact of the pandemic.

### Revenue Declines

By the end of May, weekly bookings through the Company's system were off by approximately 90% over the prior year. While a gradual and modest improvement has been recorded since then, as of mid-June the booking pace remains off by around 76% over comparable periods.

Currently, 215 of the 334 member hotels in the Design Hotels system are closed. The Company expects a gradual reopening over the next several months, as countries loosen their respective travel restrictions. However, it is not possible at this point to project how many of the hotels in the Design Hotels system will re-open, even when permitted. In addition, the



global economic impact and health and safety related behavior changes caused by the pandemic are expected to have an impact on booking patterns.

### **Cost reduction measures**

In light of the significant decline in revenues, the Company has aggressively moved to reduce expenses. Design Hotel's CEO Peter Cole has followed the lead of its majority shareholder on executive compensation, and has taken a salary cut of 60% for the remainder of the year. All staff have agreed to accept either reduced salaries (27% of staff) or have agreed to short-time work (73% of staff). The Company has also worked with its vendors, and has reduced payments to third parties for rent and other fixed costs.

Depending on the pace of recovery, the Company is evaluating further cost saving measures. However, there is a limit to the reductions that can be made while continuing to operate as a going concern, meeting obligations and offering value to participating hotels.

### **Negative EBITDA expected for 2020**

As a result of the cost reduction efforts, Design Hotels has limited its losses. Nevertheless, the Company currently projects negative EBITDA of Euro 1.4 million and negative EBT of Euro 2.0 million for the full year 2020.

### **Liquidity Reserves**

Design Hotels currently has a cash balance of approximately Euro 12.7 million, which will be used to fund ongoing operations. Given the current business climate, access to additional liquidity remains uncertain. Furthermore, the Company's majority shareholder has no obligation to compensate for additional losses, and there is no assurance that Design Hotels will be able to secure financing to continue operations if business does not recover before cash reserves are exhausted.

### **Outlook**

While forecasting remains very difficult under the current circumstances, the Company anticipates that the recovery will be gradual and slow, with 2021 revenues likely to be down 30% - 40% from 2019 levels. A return to 2019 levels of revenue and profitability is not anticipated for several years.

### **Management Commentary**

Peter Cole, CEO of Design Hotels, stated: „We are faced with unprecedented circumstances where travel and other restrictions have caused a collapse in revenues, and we anticipate recording significant losses for the current fiscal year. While we see a modest recovery in bookings, we cannot at this time forecast how sustainably our business will improve as restrictions are gradually lifted in the coming months. We will continue to operate within the constraints we are faced with and with the liquidity reserves we have built up. In the meanwhile, we have already reduced our cost base significantly, and will continue to assess our business on a continuous basis. We appreciate the continued support of our staff and the loyalty of our business partners in this difficult operating environment, and will provide a further update at our annual shareholder meeting later this year.“

# DESIGN HOTELS™ CORPORATE NEWS

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**About Design Hotels™**

Design Hotels™ represents and markets a curated selection of more than 300 privately owned hotels 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.