

- CONVENIENCE TRANSLATION -

### Design Hotels AG publishes Report on Half-Year Results 2018

- **Revenue increases by 2 percent to Euro 11.58m**
- **EBITDA increases by 17 percent to Euro 1.54m**

*Berlin, August 1, 2018* – Design Hotels AG (m:access, Munich: LBA; ISIN: DE0005141006) today publishes the results for the first half-year of 2018 according to the German Commercial Code (HGB).

#### Most important key performance indicators within the group

**Revenues** in the first six months of 2018 increased by about 2% to Euro 11.58m (last year 11.36m). Revenues from membership fees grew by almost 2% to Euro 2.07m (2.04m). Booking commissions increased by around 10% to Euro 6.79m (6.20m) and remain the largest contributor to total revenue. Revenues from marketing products/consulting decreased by about 13% to Euro 2.72m (3.13m).

**Gross margin** increased in the first half-year 2018 compared to the same period in the previous year and came in at 58.2% (55.5%).

**EBITDA** for the first half-year 2018 came in at Euro 1.54m (1.31m), which is an increase of 17%.

**EBIT** for the first half-year 2018 amounted to about Euro 1.37m, compared to Euro 1.14m in the same period of the last year.

The **net profit** (result after taxes) for the first half-year 2018 amounted to Euro 985,000, compared to Euro 814,000 in the same period of the last year. The **profit per share** was Euro 0.11 (0.09).

As per June 30, 2018, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 10.42m, as compared to Euro 1.76m as per December 31, 2017. As of the end of the reporting period, **shareholders' equity** was Euro 10.88m, as compared to Euro 10.83m at the beginning of the financial year. The balance sheet was free of liabilities to banks and noteworthy goodwill.

CEO Claus Sendlinger commented:

"We are satisfied with the performance in the first half of the year 2018. We were able to increase total revenue as well as the operating result compared to the same period last year. The continuous disproportionately high increase in booking commissions again confirms our strategic alignment and the partnership with Starwood/Marriott for the participation of our member hotels in the SPG-program."

### Consolidated Report with detailed Key Figures for the 1<sup>st</sup> Half-Year 2018

#### Business Conditions and General Framework

##### Positive Developments in the Travel Industry

In its June report 2018, the World Tourism Organization (UNWTO) reported strong growth numbers in the travel industry in 2018 so far. International arrival numbers have increased by 6 percent by the end of April 2018 compared to the previous year and have thus exceeded the expectations. Growth numbers were especially high in Asia and Europe.

#### Revenue Development

##### Solid Revenue Development in the first Half-Year

In the first half-year 2018, **total revenue** increased by 2% to Euro 11.58m (11.36m) compared to the same period in 2017. While revenues from membership fees and booking commissions could be increased, income from marketing products/consulting decreased in the first six months of the reporting period.

Revenues from **membership fees** grew by almost 2%. The largest contributing revenue stream, the **booking commissions**, increased with about 10%. The strong increase mainly comes from the participation of member hotels in the SPG-program from Starwood and the connectivity to Starwood's distribution channels. In total, revenues from booking commissions accounted for almost 59% of total revenue in the first half-year 2018.

In the first half-year 2018, the value of the generated overnight bookings for all Design Hotels member hotels increased by approx. 8% to Euro 167m (155m); the number of roomnights increased by approximately 1% to 332.00 (328.000) compared to same period in the previous year.

Revenues from **marketing products/consulting** decreased by about 13%. This is mainly due to the adaption of the services offering to the member hotels where low-margin products have been taken out this year.

Revenue per employee increased by more than 5% to Euro 124,000 (118,000). The average number of employees decreased from 97 to 93. On June 30, 2018, 307 hotels were part of the Design Hotels group, compared to 299 at the same time in 2017 and 308 as per December 31, 2017. The total number of rooms was 21,017 (20,596) spread over 216 destinations in 59 countries. The average number of rooms was 68; the average room rate amounted to Euro 248.

### Gross Margin above Last Year's Level

The **gross margin** for the first half-year came in at 58.2% (55.5%), which is above the previous year's level. The disproportionately high increase compared to total revenue is mainly due to the elimination of the low-margin products.

### 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 5.22m (4.96m), 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 more than 5 percent to Euro 3.58m (3.40m) and the increase in administrative expenses by more than 12 percent to Euro 999.000 (890.000) compared to the same period of the previous year.

### Earnings, Financial and Asset Situation

#### Stable Balance Structure

**EBITDA** for the first half-year 2018 came in at Euro 1.54m (1.31m). In the first quarter, EBITDA was at Euro 585,000 (489,000); the second quarter showed an increase to Euro 950,000 (819,000).

**EBIT** for the first half-year showed a profit of about Euro 1.37m compared to about Euro 1.14m in the same period of the last year.

The **result after taxes** for the period came in at Euro 985,000, compared to Euro 814,000 in the same period last year.

**Profit per Share** for the first half-year was Euro 0.11 (0.09).

As per June 30, 2018, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 10.42m, compared to Euro 1.76m as per December 31, 2017. The increase of cash and cash equivalents results from the ordinary termination of the agreement for the granting of an intercompany loan to Starwood (M) France Holdings SAS effective June 30, 2018. Starwood/Marriott and Design Hotels are currently negotiating a new agreement.

As of the end of the reporting period, **shareholders' equity** was Euro 10.88m, compared to Euro 10.83m at the beginning of the financial year and Euro 9.66m at the same point of time last year. The equity ratio was 66% (66% on 31.12.2017). The balance sheet was free of liabilities to banks and noteworthy goodwill. In the first half-year 2018, cash flow was Euro 8.67m (458,000); here, Euro 9.5m come from the repaid loan of Starwood (M) France.

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### **Outlook**

For the year 2018, Design Hotels expects total revenue of Euro 23.5 million and an earnings before interest and taxes of approx. Euro 2.70 million. In addition, management expects an EBT of Euro 2.73 million for 2018. In 2017, it was Euro 2.69 million.

The reasons for the moderate assumptions are the following. First, Online Travel Agencies (OTAs) put increasingly high pressure on the organization and the business model as they have continuously gained market share over the past years and are expected to grow further while the share of direct bookings decreases.

Second, the customer loyalty programs of Starwood and Marriott are currently being merged. Due to the consolidation of the technology platforms Design Hotels is not able to include any further member hotels in the SPG-program this year.

### **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 2017. The general economic climate in the first six months of 2018 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)

<b>Total as per June 30</b>		
	2018	2017
<b>Revenue</b>		
Annual License Fee	2.071	2.035
Commissions	6.788	6.199
Marketing Products/Consulting	2.716	3.125
<b>Total Revenue</b>	<b>11.575</b>	<b>11.359</b>
Cost of Sales	4.841	5.054
<b>Gross Profit</b>	<b>6.734</b>	<b>6.305</b>
Staff Expenses	3.582	3.404
Selling Expenses	636	662
Administration Expenses	999	890
<b>Total Operating Expenses</b>	<b>5.217</b>	<b>4.956</b>
Other Operating Income	226	335
Other Operating Expenses	208	376
<b>EBITDA</b>	<b>1.535</b>	<b>1.308</b>
<b>EBIT</b>	<b>1.370</b>	<b>1.137</b>
<b>EBT</b>	<b>1.392</b>	<b>1.155</b>
<b>After-Tax Profit</b>	<b>985</b>	<b>814</b>
Average Number of Employees	93	97
Revenue per Employee	124	118

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### Consolidated Statement of Cash Flow

(all figures in Thousand Euro)

As per June 30		
	2018	2017
<b>EBITDA from Profit and Loss Statement</b>	<b>1.535</b>	<b>1.308</b>
Cashflow from investment activities	-129	-173
Balance of cash changes in operating activities	7.259	-677
<b>Change in cash and cash equivalents</b>	<b>8.665</b>	<b>458</b>
Cash and cash equivalents at start of period	1.755	1.221
<b>Cash and cash equivalents at end of period</b>	<b>10.420</b>	<b>1.679</b>
Guarantees	187	156
<b>Cash and cash equivalents</b>	<b>10.233</b>	<b>1.523</b>

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### Consolidated Balance Sheet

(all figures in Thousand Euro)

	30.06.2018		31.12.2017	
<b>Assets</b>				
<b>Long-term Assets</b>				
Fixed assets		648		759
<b>Short-term Assets</b>				
Inventory	385		453	
Accounts Receivable	3.910		2.940	
Receivables from affiliated companies	376		9.856	
Other Assets	864		660	
Liquid Funds and Securities	10.420	15.955	1.755	15.664
<b>Total Assets</b>		16.603		16.423
<b>Liabilities</b>				
<b>Shareholder's Equity</b>				
Share Capital	8.972		8.972	
Legal Reserve	179		179	
Cumulative other equity capital	-1.775		-1.741	
Accumulated losses	3.505	10.881	3.417	10.827
<b>Short-Term Liabilities</b>				
Accruals	2.503		2.471	
Down-payments	1.063		1.558	
Accounts payable	359		218	
Other liabilities	1.797	5.722	1.349	5.596
<b>Total Liabilities</b>		16.603		16.423

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### Change in Shareholder's Equity

(all figures in Thousand Euro)

	Share Capital	Legal reserve	Loss carried forward	Directly in shareholder's equity included charges, profit, and loss	Total
<b>As of 1.1.2017</b>	<b>8.972</b>		<b>1.717</b>	<b>-1.776</b>	<b>8.913</b>
Group annual profit			814		814
Legal reserve		0			0
Dividend payment			0		0
Other consolidated results				-71	-71
<b>As of 30.06.2017</b>	<b>8.972</b>	<b>0</b>	<b>2.531</b>	<b>-1.847</b>	<b>9.656</b>
<b>As of 1.1.2018</b>	<b>8.972</b>	<b>179</b>	<b>3.417</b>	<b>-1.741</b>	<b>10.827</b>
Group annual profit			985		985
Legal reserve		0			0
Dividend payment			-897		-897
Other consolidated results				-34	-34
<b>As per 30.06.2018</b>	<b>8.972</b>	<b>179</b>	<b>3.505</b>	<b>-1.775</b>	<b>10.881</b>

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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.

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