



## - CONVENIENCE TRANSLATION -

### Design Hotels AG publishes its Report as of the first Half-Year 2015

- **Revenue increases by 16.5 percent to Euro 8.4m**
- **EBITDA increases by 4 percent and goes up to Euro 689,000**

Berlin, August 3, 2015 – Design Hotels AG (m:access, Munich: LBA; ISIN: DE0005141006) today reports and publishes the results for the first half-year of 2015 according to the German Commercial Code (HGB).

#### Most important key performance indicators within the Group:

**Revenues** in the first six months of 2015 increased by 16.5% to Euro 8.42m (last year 7.23m). Revenues from membership fees grew by 11% to Euro 1.84m (1.66m). Booking commissions increased by around 12% to Euro 3.78m (3.37m) and remain the largest contributor to total revenues. Revenues from Marketing Products/Consulting increased by 27% to Euro 2.8m (2.2m).

**Gross margin** decreased in the first half-year compared to the same period in the previous year and came in at 63 (68) %.

**EBITDA** for the first half-year came in at Euro 689,000 (663,000), which is an increase of 4%.

**EBIT** for the first half-year amounted to Euro 509,000, compared to Euro 511,000 in the same period of the last year.

The **Net Profit** (result after taxes) for the first half-year amounted to Euro 364,000, compared to Euro 372,000 in the same period of the last year. The **profit per share** was Euro 0.04 (0.04).

As per June 30, 2015, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 5.15m, as compared to Euro 5.71m as per December 31, 2014. As of the end of the reporting period, **shareholders' equity** was Euro 6.52m, as compared to Euro 6.13m 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 content with the revenue result in the first half-year 2015; we were able to increase revenues in all three main business areas. The disproportionately strong increase of total revenue is partially due to the strong US Dollar compared to the Euro. On the earnings side, we are behind the expectations in the first half of the year."

Regarding the partnership with Starwood Hotels & Resorts Sendlinger said: "Since the domination agreement with Starwood Hotels & Resorts Incorporated became effective in September 2014, various discussions and working sessions took place regarding the future collaboration between the two companies. We have agreed to pursue the possibility of connecting the member hotels to both Starwood's value and recognition program *Starwood Preferred Guest* and the reservations system. In the future, we will be able to expand the product and service offering to our hotels by giving them access to the most successful customer loyalty program in the international hotel industry. All connectivity within the Design Hotels reservations system will remain unchanged."

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## **Business Report with Detailed Key Financials for the First Half-Year 2015:**

### **Business and General Framework Conditions Continuous Growth in Travel Industry**

The report of the UNWTO, which was published in July 2015, confirms that international tourism continues to be on the upswing. According to the *UNWTO Tourism Barometer*, international arrivals increased by 4 percent in the first four months of 2015. All regions, except for Africa, have experienced positive growth. By the end of this year, experts predict an increase of 3 – 4 percent.

### **Net Assets, Financial Position, and Operational Results Good Revenue Development in the First Half-Year**

In the first half-year 2015, **Revenues** increased by 16.5 % to Euro 8.42m (7.23m) compared to the same period in 2014. 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 11%. The largest contributing revenue stream, the booking commissions, increased with about 12%. The strong increase is mainly due to the strong US-Dollar compared to the Euro. Member hotels invoice guests in their local currencies, of which many are linked to the US-Dollar.

The value of the generated overnight bookings increased by approx. 29%, the number of bookings increased by approximately 20%.

Revenues from marketing products/consulting could be increased the most by more than 27%. The additional revenue resulted partially from different billing periods compared to the previous year.

Revenue per employee increased by about 15% to Euro 97,000 (84,000). The average number of employees increased from 86 to 87. On June 30, 2015, 287 hotels were part of the Design Hotels group, compared to 274 at the same time in 2014 and 288 as per December 31, 2014. The total number of rooms was 21,499 (20,720) spread over 193 destinations in 58 countries. The average number of rooms was 75; the average room rate amounted to Euro 258.

## Gross Margin under Last Year's Level

The **Gross Margin** for the first half-year came in at 63% (68%), which is below the previous year's level. This is due to the increased sale of low-margin products from the Marketing Products/Consulting area on one side. On the other side, the strong US-Dollar effected the costs for the Central Reservations System.

## Costs

### Operating Costs Increase Disproportionately to Revenues

Total **Operating Costs** (Staff and Marketing Expenses, Cost of Sales and Administrative Expenses) for the first half-year amounted to Euro 4.69m (4.31m), which represents an increase of approximately 8% compared to the same period of the last year.

## Results and Financial Position

### Stable Balance Structure

**EBITDA** for the first half-year 2015 came in at Euro 689,000 (663,000). Following a decrease to Euro 75,000 (105,000) the first quarter, the second quarter showed an increase to Euro 614,000 (558,000).

**EBIT** for the first half-year showed a profit of Euro 509,000, compared to Euro 511,000 in the same period of the last year.

The **result after taxes** for the period came in at Euro 364,000, compared to Euro 372,000 in the same period last year.

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

As per June 30, 2015, Design Hotels had **cash and cash equivalents** in the form of short-term deposits in the amount of Euro 5.15m, compared to Euro 5.71m as per December 31, 2014. 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 6.52m, compared to Euro 6.13m at the beginning of the financial year and Euro 5.49m at the same point of time last year. The equity ratio was 69% (66% on 31.12.2014). The balance sheet was free of liabilities to banks and noteworthy goodwill. In the first half-year of 2015, cash flow was EUR -563,000 (266,000). The negative cash flow is mainly the result from the pre-financing of several and bigger sales programs for the member hotels.

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## **Outlook**

The outlook for the international tourism industry is positive; UNWTO expects a yearly increase of almost 4 percent in the upcoming years. Occasional economic downturns and regional crises seem to have a very small impact on travel activities and the development of the industry as a whole.

For the year 2015, management of Design Hotels AG expects total revenues of Euro 16.7m, which is an increase of about 10 percent compared to the previous year. The operational result is expected to be Euro 1m, which is about Euro 0.4m lower than in 2014. The reason for this are costs in 2015 from the collaboration with Starwood Hotels & Resorts.

## **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 2014. The general economic climate in the first six months of 2015 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.

**Group Overview**  
 According to HGB  
 Consolidated Profit & Loss Statement  
 (all figures in Thousand Euro)

<b>Total as per June 30</b>		
	2015	2014
<b>Revenue</b>		
Annual License Fee	1.843	1.658
Commissions	3.779	3.367
Marketing Products/Consulting	2.800	2.202
<b>Total Revenue</b>	<b>8.422</b>	<b>7.227</b>
Cost of Sales	3.148	2.322
<b>Gross Profit</b>	<b>5.274</b>	<b>4.905</b>
Staff Expenses	3.181	2.899
Selling Expenses	729	595
Administration Expenses	776	817
<b>Total Operating Expenses</b>	<b>4.686</b>	<b>4.311</b>
Other Operating Income	147	96
Other Operating Expenses	46	27
<b>EBITDA</b>	<b>689</b>	<b>663</b>
<b>EBIT</b>	<b>509</b>	<b>511</b>
<b>EBT</b>	<b>511</b>	<b>518</b>
<b>After-Tax Profit</b>	<b>364</b>	<b>372</b>
Average Number of Employees	87	86
Revenue per Employee	97	84

## Consolidated Statement of Cash Flow

(all figures in Thousand Euro)

<b>As per June 30</b>		
	2015	2014
<b>EBITDA from Profit and Loss Statement</b>	<b>689</b>	<b>663</b>
Cashflow from investment activities	-189	-131
Balance of cash changes in operating activities	-1.063	-266
Change in securities portfolio	0	0
Change in cash and cash equivalents	-563	266
Cash and cash equivalents at start of period	5.713	4.407
<b>Cash and cash equivalents at end of period</b>	<b>5.150</b>	<b>4.673</b>
Guarantees	76	55
<b>Cash and cash equivalents</b>	<b>5.074</b>	<b>4.618</b>

## Consolidated Balance Sheet

	30.06.2015		31.12.2014	
<b>Assets</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Long-term Assets</b>				
Fixed assets		<b>809.311</b>		<b>797.374</b>
<b>Short-term Assets</b>				
Inventory	244.068		380.904	
Accounts Receivable	2.330.538		1.962.359	
Other Assets	859.680		429.481	
Liquid Funds and Securities	5.149.710	<b>8.583.996</b>	5.713.385	<b>8.486.130</b>
<b>Total Assets</b>		<b>9.393.307</b>		<b>9.283.504</b>
<b>Liabilities</b>				
<b>Shareholder's Equity</b>				
Share Capital	8.972.072		8.972.072	
Cumulative other equity capital	-1.701.660		-1.727.238	
Accumulated losses	-748.396	<b>6.522.016</b>	-1.113.252	<b>6.131.581</b>
<b>Short-Term Liabilities</b>				
Accruals	1.129.292		1.334.136	
Down-payments	747.215		692.737	
Accounts payable	472.072		231.302	
Other liabilities	522.712	<b>2.871.291</b>	893.747	<b>3.151.922</b>
<b>Total Liabilities</b>		<b>9.393.307</b>		<b>9.283.504</b>



## 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
<b>As of 1.1.2014</b>	<b>8.972</b>	<b>-2.111</b>	<b>-1.743</b>	<b>5.118</b>
Group annual profit		372		372
Other consolidated results			1	1
<b>Total result</b>		<b>372</b>	<b>1</b>	<b>373</b>
<b>As of 30.06.2014</b>	<b>8.972</b>	<b>-1.739</b>	<b>-1.742</b>	<b>5.491</b>
<b>As of 1.1.2015</b>	<b>8.972</b>	<b>-1.113</b>	<b>-1.727</b>	<b>6.132</b>
Group annual profit		364		364
Other consolidated results		1	25	26
<b>Total result</b>		<b>365</b>	<b>25</b>	<b>390</b>
<b>As per 30.06.2015</b>	<b>8.972</b>	<b>-748</b>	<b>-1.702</b>	<b>6.522</b>

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### About Design Hotels™

Design Hotels™ represents and markets a curated selection of more than 280 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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