QUARTERLY REPORT Q2 2020 | MOTEL ONE GROUP

KEY FACTS

Q2 2020:

- Impact of the lockdown | PAGE 2
- Relaunch and hygiene guidelines | PAGE 2
- Motel One road trips providing staycation inspiration | PAGE 3
- Revenue down by 86% | PAGE 4
- First quarterly loss in the company’s history | PAGE 4

YTD 2020:

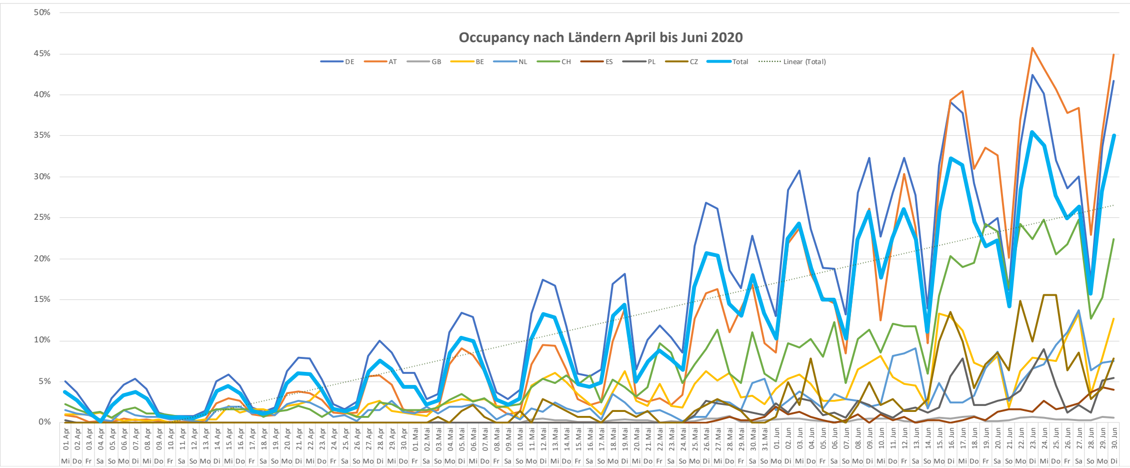
- Occupancy rate down to 31% (previous year: 75%) | PAGE 4
- Revenue of EUR 120 million (previous year: EUR 267 million) 55% lower | PAGE 4
- First-half result also well in the red | PAGE 4
- Well equipped for the second phase of the crisis with cash reserves of EUR 204 million (previous year: EUR 131 million) | PAGE 5
- Views on sector development | PAGE 8
- Crisis management and economic stimulus package | PAGE 10
- The crisis as an opportunity for Europe | PAGE 10

IMPACT OF THE LOCKDOWN

Following a successful financial year 2019 and the encouraging first two months of this year, revenue collapsed completely from mid-March onwards. A large number of hotels were closed by the authorities and we had to put our 2,600 employees on short-time work. A stringent cost-saving programme was launched at the same time. The hotels only had a skeleton staff and all head office employees worked from home. The entire management team set an example by foregoing their wages. Despite the legal uncertainty regarding section 313 of the German Civil Code (BGB), we have continued to pay our rent in full. At the same time, we were able to work in partnership with a large number of our landlords to reach individual solutions. Nevertheless, all these measures were unable to prevent liquidity outflows to the tune of about EUR 60 million during the lockdown period and the first few weeks of the relaunch.

RELAUNCH AND HYGIENE GUIDELINES

All hotels have been open again since mid-June, albeit subject to restrictions in the UK until July. Motel One is well prepared for the relaunch, as stringent cleanliness and hygiene regulations were already the order of the day before the outbreak of coronavirus. Cleanliness ratings were first-rate at 9.3 out of 10 points before the pandemic. The new ‘Motel One Health & Care’ hygiene guidelines build on this solid foundation, focusing on flawless levels of cleanliness and hygiene in hotel rooms, improved technology for virus control via technical fogging, disinfection in public areas and intensive training for employees. In addition, all Motel One properties have been audited and certified by the inspection, verification, testing and certification company SGS Institut Fresenius.



The renewed increase in occupancy rates in our hotels and feedback from guests give us reason to be optimistic. Nevertheless, we have to be prepared to absorb further losses and liquidity outflows until at least the middle of next year. Thanks to our reserves, we are also well positioned to embark on this second phase of the crisis, while our strong platform will also allow us to systematically exploit any growth opportunities that arise.

MOTEL ONE ROAD TRIPS PROVIDING STAYCATION INSPIRATION

Holidaying at home is a trend in these times of coronavirus, and one that Motel One is supporting with road trips based on its own research, providing inspiration for potential summer trips. In addition to the well-known sights that Germany has to offer, the routes include regional and seasonal highlights and insider tips. This has created a very special mix of destinations, with discovery tours from Motel One to Motel One taking you beyond the path well trodden. Take Hamburg–Lübeck–Rostock as an example: the best way to feel the sea breeze in your hair and chill out in one of the region's iconic beach chairs. A trip for culture and nature enthusiasts is the one from Munich to Salzburg via Lake Chiemsee. Or take the Dresden–Leipzig–Magdeburg route to see where architectural masterpieces meet modern city life and vast expanses of green. Or what about the short hop from Freiburg to Basel, enjoying a stop at the Vitra Design Museum, a meeting place for fine wines, cool art and unspoiled nature. Berlin makes for another interesting destination. Hop or cycle from neighbourhood to neighbourhood across the German capital, visiting areas from Berlin-Mitte to Charlottenburg. There are plenty of ideas to make this year's holiday that little bit different. More information can be found at www.motel-one.com.

INCOME STATEMENT

For the first time in Motel One's history, the company had to accept a loss in the second quarter of 2020 as a result of the lockdown due to the COVID-19 pandemic. The occupancy rate only reached 12% (previous year: 84%) and revenue amounted to EUR 21 million (previous year: EUR 147 million), down by 86% year-on-year.

	Q2			YTD June		
	2020	2019	+/-	2020	2019	+/-
Statistics:						
No. Hotels	74	71	4	74	71	4
No. Rooms	20.851	20.157	3	20.851	20.157	3
Occupancy (%)	11,8	84,3	-72	31,0	74,7	-44
RevRoSold (EUR)	94,5	95,2	-1	101,7	98,0	4
Income Statement:	kEUR	kEUR	% py	kEUR	kEUR	% py
Revenue	21.125	147.221	-86	119.710	267.153	-55
EBITDAR	739	82.821	-99	44.019	144.195	-69
Lease payments	-26.449	-25.511	-4	-52.654	-49.907	-6
EBITDA ex Head Office	-25.710	57.310	<100	-8.635	94.288	<100
Pre-Opening Expenses	-386	-299	-29	-399	-499	20
Head Office Expenses	-2.585	-5.624	54	-5.065	-10.780	53
EBITDA	-28.681	51.387	<100	-14.099	83.009	<100
Amortisation/Depreciation	-21.118	-14.829	-42	-32.086	-26.386	-22
EBIT	-49.799	36.558	<100	-46.185	56.623	<100
Financial Results	-2.694	-1.990	-35	-5.141	-4.326	-19
EBT	-52.493	34.568	<100	-51.326	52.297	<100
Income tax	350	-10.370	>100	0	-15.689	>100
NET RESULT	-52.143	24.198	<100	-51.326	36.608	<100

Thanks to stringent cost management, the flexibility of our employees and the key pillar of short-time work, significant savings were achieved and, at hotel level, a positive EBITDAR of EUR 0.7 million (previous year: EUR 83 million).

However, the full rental payments of EUR 26 million (previous year: EUR 26 million), coupled with the fixed costs for head office, led to minus EUR 29 million at the EBIDTA level, compared with the positive figure of EUR 51 million in the previous year. After interest, depreciation, amortisation and taxes, we had to accept a quarterly loss of EUR 52 million, against a profit of EUR 24 million in the previous year.

For the first half of the year as a whole, the occupancy rate was 31% (previous year: 75%), revenue came to EUR 120 million (previous year: EUR 267 million), EBITDA amounted to minus EUR 14 million (previous year: EUR 83 million) and earnings after taxes came to minus EUR 51 million (previous year: EUR 37 million).

CASH FLOW STATEMENT

Operating cash flow in the second quarter came in at minus EUR 54 million, compared with EUR 53 million in the previous year. In addition to the loss at EBITDA level, liquidity during the lockdown period was also negatively impacted by working capital, with cash outflows of EUR 25 million. These are attributable, in particular, to the repayment of deposits for cancelled trade fairs and the reduction in trade payables due to revenue-related factors. Overall, we had to accept a liquidity outflow of EUR 60 million (previous year: EUR 47 million) in the second quarter of 2020, despite the shareholders' decision to waive a dividend payment.

	Q2			YTD June		
	2020	2019	+/-	2020	2019	+/-
	kEUR	kEUR	% py	kEUR	kEUR	% py
EBITDA reported	-28.681	51.387	<100	-14.099	83.009	<100
- Net Working Capital	-24.964	1.695	<100	121.120	73.742	64
Operating Cash Flow	-53.645	53.082	<100	107.021	156.751	-32
- ReDesign Capex	-9.159	-13.639	-33	-20.413	-22.019	-7
- FX Rate Fixed Assets	1.595	-443	<100	7.517	-389	<100
- Taxes	350	-10.370	<100	0	-15.689	<100
Free Cash Flow after taxes	-60.859	28.630	<100	94.125	118.654	-21
- Investing / Divesting Cash Flow	0	0		-10.998	0	
- Equity Cash Flow	-6.353	-2.936	>100	-8.811	-2.904	<100
- Debt Cash Flow	20.803	39.588	-47	-32.182	16.581	<100
Cash Flow for Expansion Capex	-46.409	65.282	<100	42.134	132.331	-68
- CAPEX new Hotels PROPCO	-10.315	-37.288	-72	-16.720	-41.202	-59
- CAPEX new Hotels FF&E	-3.152	-4.523	-30	-3.977	-7.217	-45
- Dividends	0	-70.000	<100	0	-70.000	<100
Net Cash Flow	-59.876	-46.529	29	21.437	13.912	54
Cash carried forward	264.207	177.950	48	182.894	117.509	56
Cash at end of period	204.331	131.421	55	204.331	131.421	55

Thanks to the purchase price payment from the sale and leaseback transaction of the previous year, operating cash flow for the first half of the year as a whole came to EUR 107 million (previous year: EUR 157 million). EUR 20 million (previous year: EUR 22 million) was invested in the redesign of existing hotels, EUR 17 million (previous year: EUR 41 million) in current construction projects and EUR 4 million (previous year: EUR 7 million) in FF&E for newly opened hotels. In addition, EUR 11 million (previous year: EUR 0 million) was invested in financial assets in connection with the sale and leaseback transaction, while liabilities to banks were reduced by EUR 32 million (previous year: plus EUR 17 million). Despite the operating losses incurred as a result of coronavirus and the continued high level of investment, liquidity reserves rose by EUR 21 million (previous year: EUR 14 million), bringing cash holdings to EUR 204 million (previous year: EUR 131 million) as at 30 June 2020, thanks to the sale and leaseback transaction and the shareholders' decision to waive a dividend payment.

NET BALANCE SHEET

	June, 30				
	2020		2019		+/-
	kEUR	%	kEUR	%	%
Fixed Assets	690.620	100	751.889	100,0	-8
Equity	487.149	71	453.143	60	8
Net working capital	79.409	11	76.627	10	4
Net debt	124.062	18	222.119	30	-44
EBITDA Rolling 12 months	78.852		168.445		-53
Net Debt/EBITDA	1,6		1,3		

Equity increased by 8% year-on-year to EUR 487 million (previous year: EUR 453 million), corresponding to a self-financing ratio of 71% (previous year: 60%) in relation to fixed assets of EUR 691 million (previous year: EUR 752 million).

Despite the reduction in trade payables and repayments of deposits due to coronavirus, net working capital is up by 4% on the previous year to EUR 79 million (previous year: EUR 77 million) thanks to the tax provision for profit in 2019.

Net debt fell by 44% year-on-year to EUR 124 million (previous year: EUR 222 million) due to the early repayment of bank loans as part of the sale and leaseback transaction and the higher cash holdings compared with the previous year.

With its strong balance sheet and substantial liquidity reserves of EUR 204 million, Motel One is well prepared for the relaunch and the second phase of the crisis. Loans from KfW, the German state-owned development bank, of up to EUR 162 million have also been secured as back-up for the crisis.

HOTELS IN OPERATION AND DEVELOPMENT

The hotels in operation are unchanged from the previous quarter at 74 (previous year: 71) with 20,851 rooms (previous year: 20,157). Of these, 51 hotels (previous year: 50) are in Germany and 23 (previous year: 21) are in European cities. There are 24 owned hotels subject to leasing structures (previous year: 22) with 5,861 rooms (previous year: 5,278).

Structure	June 30, 2020			June 30, 2019			+/- py	
	Hotels	Rooms	%	Hotels	Rooms	%	Hotels	Rooms
in operation								
Owned Hotels	13	3.400	16	15	3.652	18	-2	-252
Leased Hotels	11	2.461	12	7	1.626	8	4	835
Rented Hotels	50	14.990	72	49	14.879	74	1	111
Total in operation	74	20.851	100	71	20.157	100	3	694
- Germany	51	14.342	69	50	14.092	70	1	250
- International	23	6.509	31	21	6.065	30	2	444
under development								
Owned Hotels	5	2.042	25	7	2.525	31	-2	-483
Rented Hotels	22	6.026	75	20	5.582	69	2	444
Total Pipeline secured	27	8.068	100	27	8.107	100	0	-39
- Germany	17	5.233	65	17	5.134	63	0	99
- International	10	2.835	35	10	2.973	37	0	-138
Total								
Owned Hotels	18	5.442	19	22	6.177	22	-4	-735
Leased Hotels	11	2.461	9	7	1.626	6	4	835
Rented Hotels	72	21.016	73	69	20.461	72	3	555
Total	101	28.919	100	98	28.264	100	3	655
- Germany	68	19.575	68	67	19.226	68	1	349
- International	33	9.344	32	31	9.038	32	2	306

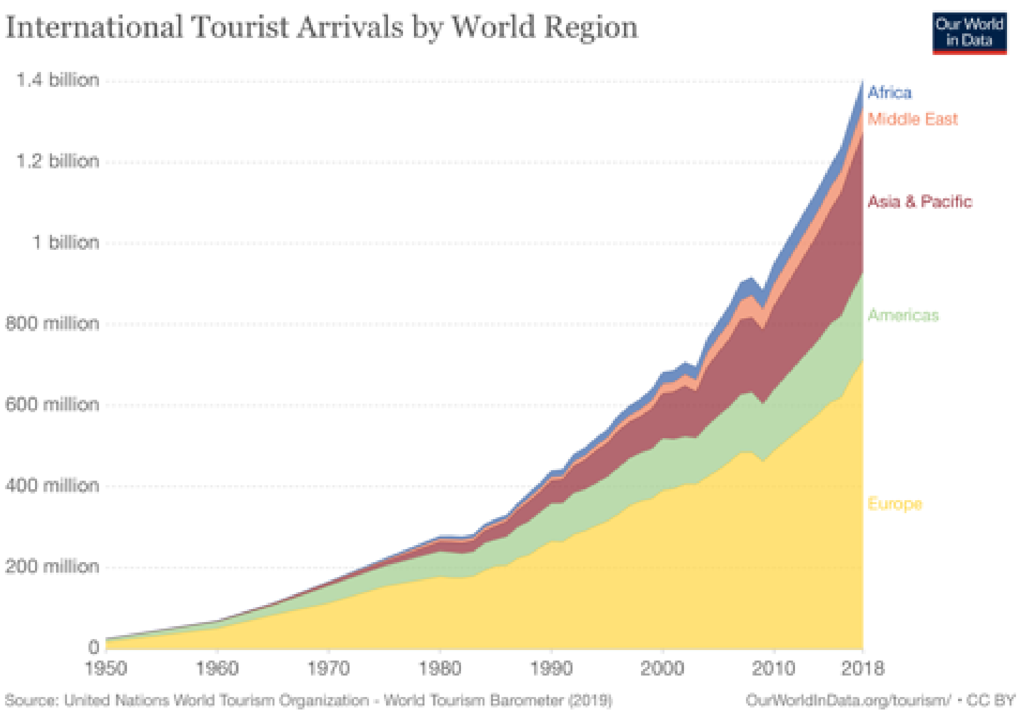
In development are 27 hotels (previous year: 27) with 8,068 rooms (previous year: 8,107). Of these, 17 hotels with 5,233 rooms (previous year: 5,134) are in development in Germany, while 10 hotels with 2,835 rooms (previous year: 2,973) are in development in European cities. Five hotels (previous year: seven) are being developed for the Group's own property portfolio and 22 (previous year: 20) with external investors. Coronavirus is likely to cause delays in the completion and handover of pipeline projects. Overall, an increase to 101 hotels (previous year: 98) with 28,919 rooms (previous year: 28,264) is contractually secured. Our development team is back up to full speed and we will be systematically exploiting the opportunities that arise from this crisis for our further growth.

VIEWS ON SECTOR DEVELOPMENT

Crises serve to reinforce pre-existing trends.

In the short term, COVID-19 has fuelled considerable uncertainty among travellers. This means that a vaccine and medication to treat the virus will need to be available before the sector can recover. The Tracing App could help avoid a second wave of infection, or at least keep it confined to a specific area.

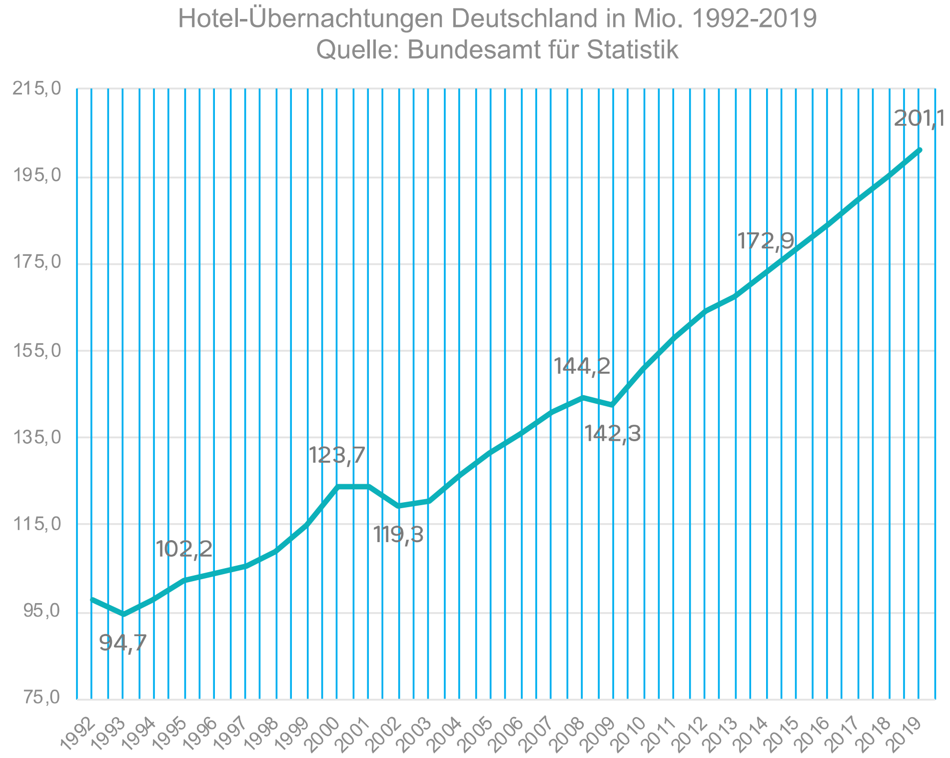
The pandemic is reinforcing protectionist tendencies, with markets closing themselves off. This trend will also leave its mark on global tourism for some time. Nevertheless, we believe that in retrospect, the crisis will have left no more than a dent in the megatrend of global tourism.



The coronavirus crisis has led to explosive developments in the trend towards digital, mobile working, working from home and video conferencing. This will have both a negative and positive impact on future demand for hotels. We will be living in a hybrid working world in the post-coronavirus era. Video conferencing will replace a large number of business trips, especially day trips. However, about two thirds of all business trips are already trips that do not involve overnight stays. (Source: *Geschäftsreiseanalyse 2019*, VDR – Germany’s business travel association.)

The trend towards working from home or remotely will mean that individuals no longer necessarily have to live close to their employer. In future, jobs will be advertised throughout Europe. As a result, the requirement to spend a number of days working on-site for these companies will thus generate additional overnight stays for business purposes. Mobile working also offers a new sort of flexibility and greater freedom for travel.

The hotel industry was a successful industry with promising growth prospects before coronavirus and will also remain so after the coronavirus.



Following the financial crisis of 2007 and the recession that followed, demand in Germany had already bounced back after 24 months. As for the COVID-19 crisis, however, we initially expect two difficult years of the crisis for the hotel industry, with no trade fairs or major events. A significant recovery is unlikely to emerge until 2022 once vaccines and medication have become available. The pre-coronavirus level could be reached again at the end of 2023, after which point the industry's success story should continue.

CRISIS MANAGEMENT AND ECONOMIC STIMULUS PACKAGE

The governments and federal states in both Germany and Austria deserve top marks for their management of the crisis. Nevertheless, the German healthcare system needs to be better prepared overall to handle a pandemic. In future, digitalisation should help to track and trace sources of infection earlier, which can then be combated through local quarantine measures.

Short-time work and KfW loans are key stabilisation tools of the German Federal Government's economic stimulus and crisis management package.

The industry will only benefit from the temporary reduction in value-added tax to a limited extent, as this move comes at a time when revenue expectations are low. In our view, shortcomings include the coronavirus legislation, which falls short of the mark in terms of the rent moratorium, the restriction of bridging allowances to SMEs with up to 249 employees, and the cap on tax loss carrybacks to a maximum of EUR 5 million. A fairer distribution of the burden would have been important here. The restrictions do not do justice to the structure of the industry. There is also a lack of investment incentives.

THE CRISIS AS AN OPPORTUNITY FOR EUROPE

Overall, we are optimistic that Germany will emerge from the crisis in good shape. There is also the hope that European solidarity will be boosted by our joint efforts to stimulate the economy. The crisis also offers an opportunity to take the unique peace project to a new level and to create a bridge between the polarising global powers of the US and China through a strong Europe.

Munich, July 2020