REPORT ON 1ST QUARTER OF 2018 | MOTEL ONE GROUP

KEY FACTS

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QUALITY NEVER STANDS STILL

This year sees a continuation of the process of consistently focusing on quality. Not only are we developing service quality - we are at the same time opening new hotels and also making targeted investments in product development of the existing Motel Ones.

The hotels will be extensively redesigned in short cycles of just 5-7 years, the goal being to ensure a high level of quality and to make good on our brand promise at all locations.

The rooms will be redesigned using in each case the very latest in technology and design. "Work, meet and relax" areas are being created in the One Lounges, and the bar is also being highlighted as a communicative hub. A total of 5 hotels with 1,288 rooms were redesigned in the 1st quarter: Munich-City-West, Dresden-Palaisplatz, Vienna-Westbahnhof, Munich-Campus and Berlin-Ku‘damm. Investments of EUR 11 million were made during this period.

MOTEL ONE RECOGNISED AS GOOD VALUE FOR MONEY WINNER

In March 2018, Motel One was recognised as VALUE FOR MONEY WINNER in the hotel category by Handelsblatt in collaboration with the institute YouGov during the investigations on brand ranking

This ranking is based on the results of the YouGov Brand Index for Germany. As part of this daily measurement of brand performance, during the period 1 February 2017 to 31 January 2018 inclusive, YouGov conducted over 700,000 representative online interviews and arranged for a total of around 1,200 brands to be evaluated by their respective connoisseurs.

In order to determine the perceived value for money rating of a brand, the following question was asked: "Which brand stands for good value for money?" Motel One was quite clearly ranked ahead of Ibis, Best Western, NH Hotels and B&B Hotels.

MOTEL ONE IS BEST BUDGET HOTEL 2018

On behalf of the news channel n-tv, the German Institute for Service Quality has extensively tested nine budget hotel chains. 2018 is the fourth time in a row that Motel One has emerged as winner in the study, ahead of Holiday Inn Express and B&B Hotels.

"The hotel chain stands out by having the best local service and the best online presence. The hotels are appealingly designed, with attractive, clean rooms; the employees are very helpful and answer guests' questions individually. With its range of food options, such as the variety it provides at its breakfast buffet, Motel One is also ahead of the competition," commented the institute.

MOTEL ONE BARCELONA-CIUTADELLA OPENED

Motel One is expanding to Spain, and in February opened a hotel that combines unusual design with the perfect location: Motel One Barcelona-Ciutadella. The old town, the popular La Rambla pedestrian boulevard, Plaça de Catalunya and the beach are all just a short walk away

The first Motel One in Spain takes its name and design inspiration from the neighbouring Parc de la Ciutadella, which is also home to the Catalan Parliament. Flora, fauna and architectural features from the park are reflected in the colourful design of the lobby and the One Lounge.

Special highlights were developed in collaboration with two young artists from Barcelona: Anaïs Senli and illustrator Lara Costafreda skilfully create perfect design accents. These are set off by the high-quality interior furnishings and furniture, including armchairs by Spanish design icon Patricia Urquiola. Another highlight is a roof terrace with a rooftop bar. Enjoy the view over the city rooftops as you relax with a drink. You can also gaze across the park at the sea, which is close by.

"Barcelona is one of Europe's most popular city-break destinations, as well as being the centre of an economically strong region, and so the city was right at the top of our wish-list," says Dieter Müller, CEO and founder of the Motel One Group. The hotel has 301 rooms and was developed by Motel One Real Estate for its own portfolio through an investment of around EUR 35 million. The building permit for the Motel One was one of the last permits to be granted before the moratorium prohibiting any more new hotel construction in Barcelona's city centre.

INCOME STATEMENT

The number of hotels operating as at 31 March 2018 was 63 with 17,688 rooms (previous year: 56 hotels with 15,165 rooms). The total number of newly opened hotels in the period 01/04/2017 to 31/03/2018 was 7 with 2,523 rooms (previous year: 3 hotels with 866 rooms). The opening of the Motel One Barcelona-Ciutadella in February 2018 marks the brand's market debut in Spain. Capacity in the 1st quarter of 2018 fell to 67% (previous year: 71%); this was due, in particular, to the start-up phases of the new hotels. The comparable hotels, in contrast, achieved 71.3% occupancy, a rate slightly above that of last year. Income per room sold was 4% higher than the previous year at EUR 92 (previous year: EUR 89).

Sales rose by 19% to EUR 98 million (previous year: EUR 82 million) and EBITDA rose by 5% to EUR 24 million (previous year: EUR 23 million).

Operating profit declined to EUR 13 million (previous year: EUR 17 million) due to higher immediate write-downs on the FF&E of new hotel openings and redesigns.

EBT at EUR 13 million (previous year: EUR 64 million) and NET PROFIT at EUR 9 million (previous year: EUR 43 million) are not comparable to the previous year's figures which included a book profit from a sale & leaseback transaction of EUR 47 million.

At the level of EBITDA, return on sales fell by 3% to 24% (previous year: 27%) and at the level of OPERATING PROFIT, it fell by 7% to 13% (previous year: 20%).

	YTD March		
	2018	2017	% py
Statistics:			
No. Hotels	63	56	12,5
No. Rooms	17.688	15.165	16,6
Occupancy (%)	67,1	70,6	-5,0
RevRoSold (EUR)	92,0	88,9	3,6
Income Statement:	kEUR	kEUR	% py
Revenue	97.751	82.394	19
EBITDA	23.725	22.671	5
EBIT	14.604	18.028	-19
OPERATING PROFIT	12.976	16.761	-23
Capital gain hotel properties	0	47.320	< 100
EBT	12.976	64.081	-80
NET PROFIT	9.083	42.934	-79
Performance:	% Rev.	% Rev.	% Pts.
EBITDAR	45,1	46,9	-1,8
Lease payments	-20,8	-19,3	-1,5
EBITDA	24,3	27,5	-3,2
EBIT	14,9	21,9	-6,9
OPERATING PROFIT	13,3	20,3	-7,1

Overall, performance in the 1st quarter of 2018 was impacted by a number of factors simultaneously. As well as the seasonal shift of Easter and the start-up phases of the newly opened hotels, there was only limited capacity at 5 hotels with 1,288 rooms due to renovations or redesigns. The use of higher immediate write-downs due to changes in statutory regulations was another contributory factor.

CASH FLOW STATEMENT AND BALANCE SHEET

Cash Flow for the first quarter of 2018 is similarly only comparable to a limited degree due to the previous year's sale & leaseback transaction. Cash flow from operating activities for the first quarter of 2018 was EUR 14 million. Investments were EUR 23 million, of which EUR 12 million (previous year: EUR 16 million) was spent on new hotels and EUR 11 million (previous year: EUR 2 million) on the redesign of existing hotels. Cash flow from financing was EUR 6 million. In all, liquid funds went down EUR 3 million in the first quarter of 2018, reaching EUR 115 million (previous year: EUR 221 million) as at 31/03/2018.

Cash Flow	YTD March		
	2018	2017	+/- py
	kEUR	kEUR	% py
CF operating activities	13.806	147.201	-91
CF investing activities	-23.274	2.325	< 100
CF financing activities	6.028	-31.842	> 100
CF for the period	-3.440	117.684	< 100
Cash at beginning of the period	117.998	102.567	15
Cash at end of period	114.558	220.251	-48

The balance sheet at 31/03/2018 shows a 25% increase in fixed assets of EUR 657 million (previous year: EUR 526 million). The strong surge is the specific result of investments in the Group's own property portfolio which, including the pipeline, is increasing to 25 hotels with more than 6,700 rooms. Equity amounted to EUR 405 million (previous year: EUR 440 million), i.e. a self-financing ratio of 62% (previous year: 84%). Net working capital fell by 17% to EUR 69 million (previous year: EUR 83 million), Net debt increased to EUR 183 million (previous year: EUR 4 million), amounting to 1.5 times R12M-EBITDA*.

Net Balance Sheet and leverage framework	March, 31				
	2018		2017		+/- py
	kEUR	%	kEUR	%	%
Fixed Assets	657.037	100	526.350	100	25
Equity	404.791	62	439.801	84	-8
Net working capital	68.808	10	83.011	16	-17
Net debt	183.438	28	3.538	1	> 100
EBITDA Rolling 12 months*	122.825		105.280		
Net Debt/EBITDA	1,5		0,0		

HOTELS IN OPERATION AND DEVELOPMENT

The number of hotels operating as at 31/03/2018 is 63 with 17,688 rooms (previous year: 56 hotels with 15,165 rooms). Of these, 15 hotels (previous year: 11) with 3,275 rooms (previous year: 2,346) are owned and 4 hotels with 1,086 rooms are, as in the previous year, under finance leases. The proportion of lease agreements is 75% (previous year: 77%) based on 44 hotels with 13,327 rooms (previous year: 41 hotels with 11,733 rooms). Internationally, Motel One now has 19 hotels with 5,438 rooms in operation (previous year: 15 hotels with 4,309 rooms), a proportion which has increased to 31% (previous year: 28%).

During the period 01/04/2017 to 31/03/2018, the Motel One Manchester-Royal Exchange, Amsterdam-Waterlooplein and Barcelona-Ciutadella hotels were opened as Group-owned properties, and the Motel One Zurich, Freiburg, Munich-Parkstadt Schwabing and Berlin-Alexanderplatz hotels were opened under lease agreements. The Motel One Leipzig-Nikolaikirche which was previously leased was also acquired as a property.

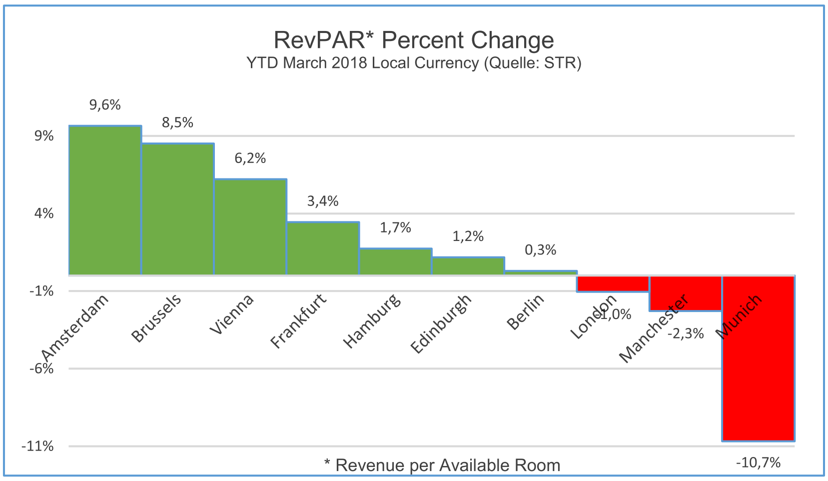
Structur	March 31, 2018			March 31, 2017			+/- py	
	Hotels	Rooms	%	Hotels	Rooms	%	Hotels	Rooms
in operation								
Owned	15	3.275	19	11	2.346	15	4	929
Leased	4	1.086	6	4	1.086	7	0	0
Rented	44	13.327	75	41	11.733	77	3	1.594
Total in operation	63	17.688	100	56	15.165	100	7	2.523
- Germany	44	12.250	69	41	10.856	72	3	1.394
- International	19	5.438	31	15	4.309	28	4	1.129
under development								
Owned	10	3.449	37	11	3.565	40	-1	-116
Rented	19	5.749	63	16	5.379	60	3	370
Total Pipeline	29	9.198	100	27	8.944	100	2	254
- Germany	18	5.954	65	17	6.189	69	1	-235
- International	11	3.244	35	10	2.755	31	1	489
Total secured								
Owned	25	6.724	25	22	5.911	25	3	813
Leased	4	1.086	4	4	1.086	5	0	0
Rented	63	19.076	71	57	17.112	71	6	1.964
Total secured	92	26.886	100	83	24.109	100	9	2.777
- Germany	62	18.204	68	58	17.045	71	4	1.159
- International	30	8.682	32	25	7.064	29	5	1.618

The development pipeline currently comprises 29 hotels with 9,198 rooms (previous year: 27 hotels with 8,944 rooms), of which 10 hotels (previous year: 11) with 3,449 rooms (previously: 3,565) are being developed in turn for the Group's own property portfolio. Contractually secured growth increased to 92 hotels (previous year: 83), with 26,900 rooms (previous year: 24,100). No new contracts were signed in the 1st quarter of 2018.

THE EUROPEAN HOTEL MARKET

The European hotel market achieved an overall 2.6% increase in RevPAR in the 1st quarter of the year, with Germany and the UK each showing parallel increases of 1.2%. The best performers in the markets relevant to us were Amsterdam, Brussels, Vienna and Frankfurt. Hamburg, Edinburgh and Berlin remained stable, showing a slight improvement. Owing to the trade show cycle, Munich experienced a sharp decline in RevPAR of 10.7%, including 7.3% on the price.

The UK markets of London and Manchester also suffered RevPAR losses. Although demand rose in both cities it was unable to fully offset the growth in capacity. Due to the seasonal shift of Easter, the data, however, is comparable to the previous year only to a limited degree.



OUTLOOK

In addition to the brand's market debut in Spain, the 2nd quarter will also see a market debut in France with the opening of the Motel One Paris-Porte Dorée. Additional hotels will be opened in Lübeck, Glasgow and Leipzig.

Where market performance is concerned, we believe that although demand will generally continue to be fuelled by two megatrends: globalisation and urbanisation, the occupancy rates in most European cities will come under pressure since significant new capacities are being advertised, especially in the UK and Germany.

Terrorism may also have a very negative short-term effect on travel. In addition, latent economic risks have resulted from Brexit and protectionism and also from smouldering political and military conflicts.

Munich, May 2018