REPORT ON 3RD QUARTER OF 2018 | MOTEL ONE GROUP

KEY FACTS

3RD QUARTER 2018:

- Bundesbank confirms investment grade | PAGE 2
- Top position in TREUGAST investment ranking | PAGE 2
- Motel One opens in Glasgow | PAGE 3
- HR AWARD for best recruiting | PAGE 4
- Swiss Business Travel Award | PAGE 4
- Occupancy increases to 80% (previous year: 79%) | PAGE 6
- Two-digit increase in revenue and EBITDA | PAGE 6

YTD SEPTEMBER 2018:

- 66 hotels in operation with 18,438 rooms (previous year: 60 hotels with 16,547 rooms) | PAGE 6
- Occupancy at 76% slightly below the previous year's level of 78% | PAGE 6
- Revenue rises by 20% to EUR 354 million (previous year: EUR 295 million) | PAGE 6
- EBITDA up to EUR 111 million (previous year: EUR 93 million) | PAGE 6
- Secured growth to 94 hotels with 27,800 rooms (previous year: 90 hotels with 26,100 rooms) | PAGE 8

DEUTSCHE BUNDESBANK CONFIRMS INVESTMENT GRADE

In its letter of 01/10/2018, Deutsche Bundesbank confirmed that, as in the previous year, based on the balances as at 31/12/2017, Motel One qualifies for an investment grade ranking of 3-. Whenever a commercial bank gives a loan to Motel One, it can therefore use this loan as a security towards Deutsche Bundesbank.

DEUTSCHE BUNDESBANK EUROSYSTEM

This creditworthiness rating is based on the decisions of the ECB Governing Council and was awarded by the relevant Bundesbank unit not just for Motel One's balance figures, but also its specific circumstances and recent developments. The DEUTSCHE BUNDESBANK rating corresponds to a comparable investment grade A- from the S&P and FITCH rating agencies accredited in the Eurozone or an investment grade A3 from MOODY´S. Motel One's investment grade reinforces its standing with investors and consequently supports its international development in particular.

TOP POSITION IN TREUGAST INVESTMENT RANKING

In 2018 once again, the TREUGAST Solutions Group experts examined the leading hotel companies in Germany and confirmed the AAA rating of Motel One and Accor Hotels.

TREUGAST | Solutions Group

Motel One also stood out in this year's ranking not just because of its increased market presence but once again due to its outstanding performance. As well as continually developing the design concept and its conceptual aspirations, the company also launched its own digital membership programme. The programme aims to manage booking flows by promoting digital direct bookings. With a seven-year investment cycle, Motel One has succeeded in a few short years in uniformly implementing the continuous development of its design concept not just in the new hotels that have been opened but also in the older businesses in the portfolio.

This year, once again, at its investment ranking press conference at the Expo Real in Munich TREUGAST presented the "MOST WANTED INVESTMENT PARTNER AWARD": the recipient was Motel One. With four new hotels opened, two in Berlin, and one each in Munich and Freiburg, Motel One expanded its portfolio in the German market in 2018 by adding an impressive 1,976 rooms, representing growth for the company not only at A-locations but also at outstanding B-locations. By securing these locations and properties, the company is ensuring an extremely valuable increase in its capacity.

MOTEL ONE OPENS IN GLASGOW

Glasgow is a city of contrasts: old factory buildings, mystical sandstone tenements and narrow alleyways give it an industrial ambience, while modern galleries and exhibitions entice lovers of art and culture. In the very heart of this pulsating metropolis, Motel One has opened its third hotel in Scotland with 374 rooms.

The new Motel One is situated right next to Glasgow's Central Station, one of the busiest stations in the UK. The investment of around EUR 42 million was made by Motel One Real Estate GmbH.

Motifs emblematic of the Scottish Highlands and the industrial character of the city are reflected in the design of the hotel. Artists Matthew Dalziel and Louise Scullion were also inspired by one of the oldest railway lines, which starts in Glasgow and crosses the most beautiful moors in Scotland, entitling their photographic work "Travel Romance".

Scottish charm is also reflected in the tartan specially created for Motel One, elegant barstools made by English manufacturer Style Matters, and fine quilted leather Chesterfield sofas.

HOSPITALITY HR AWARD 2018

Motel One is once again the recipient of the Hospitality HR Award as top employer in the hotel and catering sector. The award, which is presented by the German Hotel Academy (Deutsche Hotelakademie, DHA) once more confirms Motel One as an exemplary employer in the hotel industry and recognises its staff-oriented concept in Human Resources Management. Motel One won in the “Recruiting” category.

"No one has so far shown how to conduct a successful staff recruitment operation in such a digitally comprehensive, perfect way as Motel One has done live”, said the jury in its commendation. Both the fact that online applications can be received and managed centrally and digitally, and the fact that it takes just 15 days from initial contact to hiring, show what recruiting will look like in future.

SWISS BUSINESS TRAVEL AWARD

On 6 September 2018, Motel One was presented with the Swiss Business Travel Award in Zurich. The magazine “Business Traveltip” gives the awards for best service providers in the business travel sector.

The positions were decided based on the 50/50 rating of an online vote of the magazine’s readers and the assessment of a jury of experts – Motel One won out here in the hotel brands category. Urs Vogel, Manager of the Motel One Zurich, accepted the award on behalf of the German budget design hotel group: “With our two hotels in Zurich and Basel, Switzerland is an important market for us. We are delighted with this award in that it confirms our strengths of high quality combined with an attractive price/performance ratio which is particularly appealing to business travellers.” The Swiss Business Travel Awards, moderated by Claudia Lässer, were awarded in seven different categories following the Swiss Travel Management Forum in the Zurich Marriott Hotel.

INCOME STATEMENT

The number of hotels operating as at 30/09/2018 is 66 with 18,438 rooms (previous year: 60 hotels with 16,547 rooms). The third quarter saw the opening of the new Motel One in Glasgow with 374 rooms. Average occupancy of 80.3% in the third quarter was slightly above the previous year's level (79.4%). Sales rose by 19% to EUR 131 million (previous year: EUR 110 million), EBITDA by 25% to EUR 47 million (previous year: EUR 37 million), and earnings before tax (EBT) rose by 29% to EUR 34 million (previous year: EUR 26 million).

	Q3			YTD September		
	2018	2017	+/-	2018	2017	Abw.
Statistics:						
No. Hotels	66	60	6	66	60	6
No. Rooms	18.438	16.547	1.891	18.438	16.547	1.891
Occupancy (%)	80,3	79,4	0,9	76,0	77,5	-1,5
RevRoSold (EUR)	97	94	3	95	91	4
Income Statement:	kEUR	kEUR	% py	kEUR	kEUR	% py
Revenue	131.345	110.257	19	353.516	294.997	20
EBITDA	46.614	37.305	25	111.428	92.818	20
Amortisation/Depreciation	-10.922	-10.180	-7	-36.220	-23.016	-57
EBIT	35.692	27.125	32	75.208	69.802	8
Financial Results	-2.182	-1.163	-88	-6.061	-3.636	-67
EBT before Capital gain	33.510	25.962	29	69.147	66.166	5
Capital gain propertys	0	0		0	47.320	<100
EBT	33.510	25.962	29	69.147	113.486	-39
Income tax expenses	-10.053	-8.595	-17	-20.744	-37.861	45
NET PROFIT	23.457	17.367	35	48.403	75.625	-36

For the period January to September 2018, occupancy was 79% at comparable hotels and 76% at newly opened hotels (previous year: 78%). Sales rose by 20% to EUR 353 million (previous year: EUR 295 million) and EBITDA increased similarly by 20% to EUR 111 million (previous year: EUR 93 million).

New legal regulations allowed for greater depreciation and amortisation than last year of EUR 36 million (previous year: EUR 23 million). EBT before capital gain therefore increased just 5% to EUR 69 million (previous year: EUR 66 million). EBT at EUR 69 million (previous year: EUR 113 million) and NET PROFIT at EUR 48 million (previous year: EUR 76 million) are only partially comparable to the previous year’s result, which included income from a sale and leaseback transaction of EUR 47 million.

CASH FLOW STATEMENT AND BALANCE SHEET

Cash flow for the period January to September 2018 is similarly only comparable to a limited extent due to the previous year's sale and leaseback transaction. Cash flow from operating activities was EUR 73 million (previous year: EUR 190 million) while investments were EUR 95 million (previous year: EUR 115 million). Cash inflow from financing stood at EUR 12 million, following a net outflow of funds in the previous year of EUR 58 million.

Cash Flow	Q3			YTD September		
	2018	2017	+/-	2018	2017	Abw.
	kEUR	kEUR	% py	kEUR	kEUR	% Vj.
CF operating activities	23.384	32.868	-29	73.330	189.642	-61
CF investing activities	-40.216	-39.134	3	-95.067	-115.325	-18
CF financing activities	10.064	17.852	-44	11.556	-58.066	<100
CF for the period	-6.768	11.586	<100	-10.181	16.251	<100
Cash at beginning of the period	114.585	107.232	7	117.998	102.567	15
Cash at end of period	107.817	118.818	-9	107.817	118.818	-9

In all, liquid funds went down EUR 10 million in the period January to September 2018, reaching EUR 108 million (previous year: EUR 119 million) as at 30/09/2018.

Net Balance Sheet and leverage framework	September, 30				
	2018		2017		+/-
	kEUR	%	kEUR	%	%
Fixed Assets	701.136	100	628.238	100	12
Equity	434.110	62	392.916	63	10
Net working capital	61.317	9	77.000	12	-20
Net debt	205.709	29	158.322	25	30
EBITDA Rolling 12 months	140.382		120.618		16
Net Debt/EBITDA	1,5		1,3		12

The increasing number of our own property developments meant that, in addition to the FF&E investments, fixed assets rose by 12% to EUR 701 million (previous year: EUR 628 million). Equity rose to EUR 434 million (previous year: EUR 393 million) i.e. a self-financing ratio of 62% (previous year: 63%). Net working capital decreased to EUR 61 million (previous year: EUR 77 million). Net debt increased to EUR 206 million (previous year: EUR 158 million), amounting to a Net Debt/EBITDA ratio of 1.5 (previous year: 1.3).

HOTELS IN OPERATION AND DEVELOPMENT

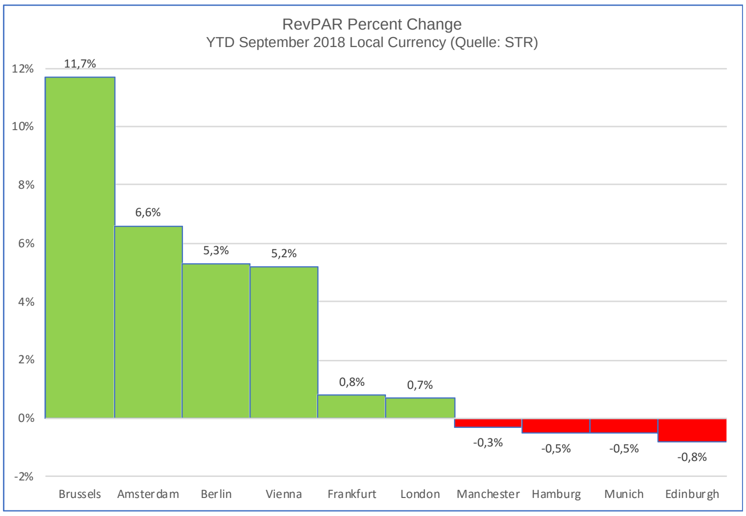
The number of hotels in operation is 66 with 18,438 rooms (previous year: 60 hotels with 16,547 rooms). Of these, 17 hotels with 3,771 rooms (previous year: 13 hotels with 2,842 rooms) are owned and 4 hotels with 1,086 rooms are, as in the previous year, under finance leases. The proportion of lease agreements is 74% (previous year: 76%) based on 45 hotels with 13,581 rooms (previous year: 43 hotels with 12,619 rooms). Internationally, Motel One now has 21 hotels with 6,068 rooms in operation (previous year: 17 hotels with 5,005 rooms), a proportion which has increased to 33% (previous year: 30%).

Structure	September 30, 2018			September 30, 2017			+/- py	
	Hotels	Rooms	%	Hotels	Rooms	%	Hotels	Rooms
in operation								
Owned Hotels	17	3.771	20	13	2.842	17	4	929
Leased Hotels	4	1.086	6	4	1.086	7	0	0
Rented Hotels	45	13.581	74	43	12.619	76	2	962
Total in operation	**66**	**18.438**	**100**	**60**	**16.547**	**100**	**6**	**1.891**
- Germany	45	12.370	67	43	11.542	70	2	828
- International	21	6.068	33	17	5.005	30	4	1.063
under development								
Owned Hotels	8	2.956	32	12	3.935	41	-4	-979
Rented Hotels	20	6.366	68	18	5.592	59	2	774
Total Pipeline	**28**	**9.322**	**100**	**30**	**9.527**	**100**	**-2**	**-205**
- Germany	18	6.294	68	18	6.723	71	0	-429
- International	10	3.028	32	12	2.804	29	-2	224
Total secured								
Owned Hotels	25	6.727	24	25	6.777	26	0	-50
Leased Hotels	4	1.086	4	4	1.086	4	0	0
Rented Hotels	65	19.947	72	61	18.211	70	4	1.736
Total secured	**94**	**27.760**	**100**	**90**	**26.074**	**100**	**4**	**1.686**
- Germany	63	18.664	67	61	18.265	70	2	399
- International	31	9.096	33	29	7.809	30	2	1.287

The development pipeline comprises 28 hotels with 9,322 rooms (previous year: 30 hotels with 9,527 rooms). Of these, 8 owned hotels (previous year: 12) and 20 hotels under long-term leases with external investors (previous year: 18) are being developed. Contractually secured growth increased to 94 hotels (previous year: 90), with 27,760 rooms (previous year: 26,074). In the third quarter of 2018, the overheated markets meant that no new contracts were signed.

THE EUROPEAN HOTEL MARKET

During the January to September 2018 period, the hotel market in Northern Europe saw a 1.2% increase in RevPAR over the previous year. However, Germany and the UK recorded rises of 2.0% and 1.7% respectively. The best performers in the top ten markets relevant to us were Brussels, Amsterdam, Berlin and Vienna, followed by Frankfurt and London.



The strong performance of Brussels is due to the market recovery following the terrorist attacks. Berlin hosted the European Athletics Championships and Vienna was the venue for the EU Presidency.

Coupled with additional capacity, Brexit put RevPAR in the red in the UK centres of Manchester and Edinburgh. Munich and Hamburg also suffered a drop in RevPAR, due to trade fairs (Munich) and the previous year's G20 summit (Hamburg). (Source: STR Global).

OUTLOOK

The fourth quarter of 2018 will see further Motel One hotels opening in Munich, Cologne, Frankfurt, Bonn and Leipzig.

As regards market performance, we believe that, although demand will generally continue to be fuelled by the two megatrends that are globalisation and urbanisation, the occupancy rates and prices in most European cities will come under pressure because 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, November 2018