

MOTO VENTURES LIMITED

QUARTERLY REPORT

JUNE 2016

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | 13 weeks Ended 29 June 2016 £'000s | 13 weeks Ended 24 June 2015 £'000s | 26 weeks Ended 29 June 2016 £'000s | 26 weeks Ended 24 June 2015 £'000s |
|--|--|--|--|--|
| Non-fuel turnover..... | 94,169 | 91,886 | 171,179 | 163,468 |
| Fuel turnover..... | 105,201 | 106,540 | 194,196 | 198,741 |
| Turnover | 199,370 | 198,426 | 365,375 | 362,209 |
| Change in stocks of non-fuel goods..... | 235 | 288 | 118 | (98) |
| Change in stocks of fuel..... | 312 | 84 | (8) | (735) |
| Change in stocks of finished goods | 547 | 372 | 110 | (833) |
| Staff costs..... | (19,769) | (19,073) | (38,318) | (36,008) |
| Depreciation and amortization | (12,357) | (11,134) | (24,553) | (22,737) |
| Non-fuel operating costs | (55,799) | (55,381) | (103,945) | (100,171) |
| Cost of fuel purchased..... | (96,968) | (98,660) | (178,415) | (183,195) |
| Other operating costs | (152,767) | (154,041) | (282,360) | (283,366) |
| Profit on ordinary activities before interest being operating profit | 15,024 | 14,550 | 20,254 | 19,265 |
| Interest receivable and similar income..... | 54 | 14 | 270 | 151 |
| Interest receivable from group undertakings..... | 54 | 44 | 107 | 88 |
| Interest payable on bank loans | (9,014) | (8,972) | (17,991) | (41,117) |
| Profit / (loss) on ordinary activities before taxation | 6,118 | 5,636 | 2,640 | (21,613) |
| Tax on profit / (loss) on ordinary activities..... | - | - | - | - |
| Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period | 6,118 | 5,636 | 2,640 | (21,613) |
| Note: Adjusted EBITDA | 27,207 | 25,684 | 44,475 | 41,660 |
| Fuel margin | 8,545 | 7,964 | 15,773 | 14,811 |

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

| | As of 29 June 2016 £'000s | As of 24 June 2015 £'000s |
|---------------------------|------------------------------------|------------------------------------|
| Cash..... | 29,267 | 36,367 |
| Total Current assets..... | 66,919 | 80,575 |
| Net fixed assets..... | 1,036,649 | 946,448 |
| Total assets..... | 1,103,568 | 1,027,023 |
| Current liabilities..... | (63,471) | (65,780) |
| Long term borrowings..... | (558,276) | (544,679) |
| Retained Earnings..... | (380,448) | (323,616) |

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | 13 weeks Ended 29 June 2016 £'000s | 13 weeks Ended 24 June 2015 £'000s | 26 weeks Ended 29 June 2016 £'000s | 26 weeks Ended 24 June 2015 £'000s |
|--|--|--|--|--|
| Net cash inflow from operating activities | 36,589 | 24,333 | 52,382 | 47,461 |
| Cash outflow from servicing bank loans..... | (8,191) | (7,257) | (16,364) | (39,975) |
| Cash outflow from servicing group loans..... | - | (1) | - | (15) |
| Net cash outflow from returns on investments and servicing of finance | (8,138) | (7,275) | (16,111) | (39,884) |
| Taxation | - | - | (912) | - |
| Net cash outflow for capital expenditure and financial investment | (6,090) | (4,022) | (10,741) | (8,380) |
| Net cash inflow / (outflow) from financing | 5,380 | (2,505) | 5,380 | (5,704) |
| Equity dividends paid to shareholders..... | (55,920) | - | (55,920) | - |
| Increase / (decrease) in net cash | (28,179) | 10,531 | (25,922) | (6,507) |

OPERATING AND FINANCIAL REVIEW

The following discussion contains trend information and forward-looking statements. Actual results could differ materially from those discussed in these forward-looking statements. Any forward-looking statements are only made as at the date of this report and we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Results of Operations

Results of operations for the 26 weeks ended 29 June 2016 compared to the 26 weeks ended 24 June 2015

The following table sets forth our main operating results for the 26 weeks ended 29 June 2016 compared to the 26 weeks ended 24 June 2015:

| | 26 weeks ended 29 June 2016 £'000s | 26 weeks ended 24 June 2015 £'000s | Variance £'000s | Variance % |
|--|--|--|--------------------|---------------|
| Non-fuel Turnover | 171,179 | 163,468 | 7,711 | 4.7% |
| Fuel Turnover | 194,196 | 198,741 | (4,545) | (2.3)% |
| Turnover | 365,375 | 362,209 | 3,166 | 0.9% |
| Change in stocks of non-fuel goods | 118 | (98) | 216 | 220.4% |
| Change in stocks of fuel | (8) | (735) | 727 | 98.9% |
| Change in stocks of finished goods | 110 | (833) | 943 | 113.2% |
| Staff costs | (38,318) | (36,008) | (2,310) | (6.4)% |
| Depreciation and amortization | (24,553) | (22,737) | (1,816) | (8.0)% |
| Non-fuel operating costs | (103,945) | (100,171) | (3,774) | (3.8)% |
| Cost of fuel purchased | (178,415) | (183,195) | 4,780 | 2.6% |
| Other operating costs | (282,360) | (283,366) | 1,006 | 0.4% |
| Profit on ordinary activities before interest being operating profit | 20,254 | 19,265 | 989 | 5.1% |
| Interest receivable and similar income | 270 | 151 | 119 | 78.8% |
| Interest receivable from group undertakings | 107 | 88 | 19 | 21.6% |
| Interest payable on bank loans | (17,991) | (41,117) | 23,126 | 56.2% |
| Profit / (loss) on ordinary activities before taxation | 2,640 | (21,613) | 24,253 | 112.2% |
| Tax on loss on ordinary activities | - | - | - | - |
| Profit / (loss) on ordinary activities after taxation being retained profit / (loss) for the financial period | 2,640 | (21,613) | 24,253 | 112.2% |
| Note: EBITDA | 44,807 | 42,002 | 2,805 | 6.7% |
| Loss on disposal of fixed assets | 15 | - | 15 | 100.0% |
| Travelodge provision | (347) | (342) | (5) | (1.5)% |
| Adjusted EBITDA | 44,475 | 41,660 | 2,815 | 6.8% |

Turnover. Turnover increased by £3.2 million, or 0.9%, from £362.2 million in the 26 weeks ended 24 June 2015 to £365.4 million in the 26 weeks ended 29 June 2016. The change was primarily attributable to an increase in non-fuel turnover of £7.7 million, as a result of continued growth in catering and convenience food. This was partly offset by a £4.5 million decrease in fuel turnover, attributable to a decline in the pump price of fuel sold.

The following table shows the breakdown of our non-fuel turnover for the 26 weeks ended 29 June 2016 and the 26 weeks ended 24 June 2015:

| | 26 weeks ended 29 June 2016 £'000s | 26 weeks ended 24 June 2015 £'000s | Change |
|--------------------------------------|--|--|--------------|
| Catering | 73,338 | 69,838 | 3,500 |
| Convenience Food | 44,811 | 41,970 | 2,841 |
| CTN | 22,887 | 22,845 | 42 |
| Amusement | 9,048 | 8,072 | 976 |
| Other | 8,984 | 8,121 | 863 |
| Amenity Building | 159,068 | 150,846 | 8,222 |
| Forecourt..... | 12,111 | 12,622 | (511) |
| Total non-fuel turnover | 171,179 | 163,468 | 7,711 |

The following table shows the shifted* like-for-like sales growth in 2016:

| | 13 weeks Ended 30 March 2016 | 13 weeks Ended 29 June 2016 | 26 weeks Ended 29 June 2016 |
|--|---------------------------------------|--------------------------------------|--------------------------------------|
| Amenity Building (including amusements) | 8.0% | 0.6% | 3.8% |
| Forecourt | 0.6% | 3.4% | 2.1% |
| LFL non-fuel turnover | 7.4% | 0.8% | 3.6% |

The following table shows the shifted* like-for-like transaction growth in 2016:

| | 13 weeks Ended 30 March 2016 | 13 weeks Ended 29 June 2016 | 26 weeks Ended 29 June 2016 |
|---|---------------------------------------|--------------------------------------|--------------------------------------|
| Amenity Building (excluding amusements)..... | 6.7% | 2.0% | 4.0% |
| Forecourt | 1.0% | 2.4% | 1.7% |
| Total transactions | 5.6% | 2.0% | 3.6% |

The following table shows the shifted* average spend growth in 2016:

| | 13 weeks Ended 30 March 2016 | 13 weeks Ended 29 June 2016 | 26 weeks Ended 29 June 2016 |
|---|---------------------------------------|--------------------------------------|--------------------------------------|
| Amenity Building (excluding amusements)..... | 1.2% | (1.4)% | (0.3)% |
| Forecourt | (0.3)% | 1.0% | 0.4% |
| Total spend..... | 1.7% | (1.2)% | 0.0% |

* The like-for-like sales, transaction and average spend growth above is presented on a shifted basis, to compensate for the impact of the 53rd week of trading in 2015. This analysis compares the 26 weeks ended 29 June 2016 with the 26 weeks ended 01 July 2015.

Change in stocks of finished goods. Change in stocks of finished goods was an increase of £0.1 million in the 26 weeks ended 29 June 2016 compared with a £0.8 million decrease in the 26 weeks ended 24 June 2015. The value of fuel stocks remained static in the 26 weeks ended 29 June 2016 and there was a £0.1 million decrease in non-fuel stocks.

Staff costs. Staff costs increased by £2.3 million, or 6.4%, from £36.0 million in the 26 weeks ended 24 June 2015 to £38.3 million in the 26 weeks ended 29 June 2016. The ratio of staff costs to non-fuel turnover increased from 22.0% in the 26 weeks ended 24 June 2015 to 22.4% in the 26 weeks ended 29 June 2016, linked in part to increases in the hourly paid rate in line with living wage legislation.

Depreciation and amortization. Depreciation and amortization increased by £1.8 million, or 8.0%, from £22.7 million in the 26 weeks ended 24 June 2015 to £24.6 million in the 26 weeks ended 29 June 2016. The revaluation posted in October 2015 increased the net book value of fixed assets by £122.3 million. Depreciation is recorded on a straight line basis over the remaining useful economic life of the assets, which resulted in an increased depreciation charge. Amortization charges were unchanged from 2015 to 2016.

Other operating costs. Other operating costs decreased by £1.0 million, or 0.4%, from £283.4 million in the 26 weeks ended 24 June 2015 to £282.4 million in the 26 weeks ended 29 June 2016. The decrease was primarily attributable to the cost of fuel purchased, which decreased by £4.8 million. This decrease was partially offset by a £3.8 million increase in non-fuel operating costs primarily attributable to (1) a £3.0 million increase in the cost of non-fuel merchandise, reflecting the increase in non-fuel turnover, (2) a £0.3 million increase in maintenance, and (3) a £0.4 million reduction in Central income.

The following represents a breakdown of our non-fuel operating costs for the 26 weeks ended 29 June 2016 and the 26 weeks ended 24 June 2015:

| | 26 weeks ended 29 June 2016 £'000s | 26 weeks ended 24 June 2015 £'000s | Change |
|--|--|--|--------------|
| Cost of non-fuel merchandise | 71,498 | 68,457 | 3,041 |
| Property taxes | 8,503 | 8,382 | 121 |
| Utilities | 5,298 | 5,838 | (540) |
| Franchise fees | 4,558 | 4,370 | 188 |
| Maintenance..... | 2,606 | 2,332 | 274 |
| Distribution | 876 | 836 | 40 |
| Cleaning, travel and admin | 3,989 | 3,808 | 181 |
| Rent expense | 4,690 | 4,561 | 129 |
| Central income..... | (723) | (1,074) | 351 |
| Corporate and other | 2,997 | 3,002 | (5) |
| Travelodge provision | (347) | (341) | (6) |
| Total non-fuel operating costs..... | 103,945 | 100,171 | 3,774 |

Central income wholly relates to backdated rates settlements. (2015: £0.65 million compensation from BP for early termination of forecourt leases, £0.5 million for Trowell CPO, £0.15 million for Cobham fire insurance, offset by £0.23m other costs).

Operating profit. Operating profit increased by £1.0 million, or 5.1%, from £19.3 million in the 26 weeks ended 24 June 2015 to £20.3 million in the 26 weeks ended 29 June 2016. The reasons for the increase in operating profit are outlined in the commentary above.

Interest receivable and similar income. Interest receivable and similar income increased by £0.1 million, or 78.8%, from £0.15 million in the 26 weeks ended 24 June 2015 to £0.27 million in the 26 weeks ended 29 June 2016. The increase is attributable to the improved interest rate on the group's banking facilities and the significantly increased cash balance in the period leading up to the half-year end.

Interest receivable from group undertakings. Interest receivable from group undertakings remains materially unchanged in the 26 weeks ended 29 June 2016.

Interest payable on bank loans. Interest payable on bank loans decreased by £23.1 million, or 56.2%, from £41.1 million in the 26 weeks ended 24 June 2015 to £18.0 million in the 26 weeks ended 29 June 2016. The decrease was attributable to (1) £6.6 million lower capitalised debt costs amortisation due to the full write-off of old senior debt and high yield bond costs in 2015, (2) £2.1 million saving on write-off of old high yield bond discount, (3) £9.3 million saving relating to redemption of the old high yield bond charged in 2015, and (4) £5.1 million saving due to more favourable interest rates on the new debt arrangements.

Tax on loss on ordinary activities. Tax on loss on ordinary activities was nil in both periods. The tax charge for 2016 will be posted in the statutory accounts as a final year-end adjustment.

Retained loss for the financial period. For the reasons set forth above, retained profit for the period increased by 112.2%, from a loss of £21.6 million in the 26 weeks ended 24 June 2015 to a profit of £2.6 million in the 26 weeks ended 29 June 2016.

Liquidity and Capital Resources

Net cash inflow from operating activities

The following table summarizes the principal components of our net cash inflow from operating activities for the 26 weeks ended 29 June 2016 compared to the 26 weeks ended 24 June 2015:

| | 26 weeks ended 29 June 2016 £'000s | 26 weeks ended 24 June 2015 £'000s |
|--|--|--|
| Operating profit | 20,254 | 19,265 |
| Depreciation charge | 22,249 | 20,433 |
| Loss on disposal of tangible fixed assets | 15 | - |
| Goodwill amortization | 2,304 | 2,304 |
| (Increase) / decrease in stocks | (110) | 833 |
| Decrease / (Increase) in debtors..... | 8,919 | (1,911) |
| (Decrease) / Increase in creditors..... | (1,249) | 6,537 |
| Net cash inflow from operating activities | <u>52,382</u> | <u>47,461</u> |

Cash inflow from operating activities increased by £4.9 million, or 10.4%, from £47.5 million in the 26 weeks ended 24 June 2015 to £52.4 million in the 26 weeks ended 29 June 2016. This is primarily attributable to (1) an increase in operating profit of £1.0 million from £19.3 million in the 26 weeks ended 24 June 2015 to £20.3 million in the 26 weeks ended 29 June 2016, (2) an increase in the cash inflow from working capital of £2.1 million, and (3) an increase in the depreciation charge of £1.8 million, from £20.4 million in the 26 weeks ended 24 June 2015 to £22.2 million in the 26 weeks ended 29 June 2016.

Net cash outflow from returns on investments and servicing of finance

The following table summarizes the principal components of our net cash outflow from returns on investments and servicing of our financing arrangements for the 26 weeks ended 29 June 2016 compared to the 26 weeks 24 June 2015:

| | 26 weeks ended 29 June 2016 £'000s | 26 weeks ended 24 June 2015 £'000s |
|---|--|--|
| Interest received..... | 270 | 151 |
| Interest paid on bank loans | (16,364) | (39,975) |
| Bank interest and similar | (17) | (45) |
| Intercompany interest paid | - | (15) |
| Net cash outflow from returns on investments and servicing of finance..... | (16,111) | (39,884) |

Interest received. Interest received increased from £0.15 million in the 26 weeks ended 24 June 2015 to £0.27 million in the 26 weeks ended 29 June 2016. The increase is attributable to the improved interest rate on the group's banking facilities and the significantly increased cash balance in the period leading up to the half-year end.

Interest paid on bank loans. Interest paid on bank loans decreased from £40.0 million in the 26 weeks ended 24 June 2015 to £16.4 million in the 26 weeks ended 29 June 2016. The decrease was attributable to (1) £9.9 million saving relating to redemption of the old high yield bond including accrued interest paid in 2015, (2) £4.7 million lower interest payments due to more favourable interest rates on the new debt arrangements, and (3) £8.9 million lower interest payments due to timing differences relating to the move to quarterly interest payments on the Senior Facility and high yield bond.

Bank interest and similar. Bank interest and similar charges remains materially unchanged in the 26 weeks ended 29 June 2016. This represents the banking costs of the group.

Intercompany interest paid. The intercompany interest reflects payments made during the period to Moto Holdings Limited, Moto International Holdings Limited and Moto International Parent Limited under intercompany loan agreements and represent the administrative costs of the holding companies.

Capital expenditure

The following table shows our capital expenditures for the 26 weeks ended 29 June 2016 compared to the 26 weeks ended 24 June 2015:

| | 26 weeks ended 29 June 2016 £'000s | 26 weeks ended 24 June 2015 £'000s |
|---|--|--|
| Capital Expenditure by Category: | | |
| Maintenance spend | (3,255) | (1,948) |
| Expansion spend | (6,976) | (5,545) |
| IT One-off projects spend | (510) | (887) |
| Cash outflow for capital expenditure | (10,741) | (8,380) |

For the 26 weeks ended 29 June 2016, our capital expenditure amounted to £10.7 million, which consisted of £3.3 million for maintenance spending, £7.0 million for expansion including 4 new M&S stores, 3 new Amenity Greggs units and the introduction of food courts at 2 sites, and ongoing spend on prior year projects and £0.5 million on IT projects.

For the 26 weeks ended 24 June 2015, our capital expenditure amounted to £8.4 million, which consisted of £1.9 million for maintenance spending, £5.5 million for expansion including the continued roll-out of new Greggs stores and 4 new M&S stores, and ongoing spend on prior year projects and £0.9 million on IT projects – till system and wide-area network.

Equity dividends paid to shareholders

Equity dividends paid to shareholders amounted to £55.9 million in the 26 weeks ended 29 June 2016 and were debited from retained earnings and funded from balance sheet cash.

Net debt

The following table shows our net debt position as at 29 June 2016 compared to 24 June 2015:

| | 29 June 2016 £'000s | 24 June 2015 £'000s |
|--------------------------------|---------------------------|---------------------------|
| Cash in hand and at bank | 29,267 | 36,367 |
| Debt due after one year | (558,276) | (544,679) |
| Net debt | (529,009) | (508,312) |

At 29 June 2016, the debt due after one year includes £395.7 million of senior debt and £175.0 million of corporate bonds, less £12.4 million of capitalised debt costs.

At 24 June 2015, the debt due after one year includes £385.0 million of senior debt and £175.0 million of corporate bonds, less £15.3 million of capitalised debt costs.