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## 2Q 2019 KEY FINANCIAL HIGHLIGHTS

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- **Total revenue increased by 29.8% YoY to THB 2,233mn** mainly from the expansion of the hotel business through new hotel launches and through new acquisitions
- **EBITDA and EBITDA margin were THB 509mn and 22.8% respectively, significantly increasing from the same period last year** due to higher operating EBITDA, as a result of hotel business expansion and gain from exchange rates
- **Reported net profit of THB 393mn (compared to a net loss of THB 255mn in 2Q 2018)**, largely as a result of the above reasons together with share of profit from investment in joint ventures
- **Total assets as of 30 June 2019 stood at THB 54,188mn, increasing by 0.4% or THB 228mn from 31 December 2018.** The increase was from the acquisition of arcona Hotel Portfolio and Noble Ploenchit Commercial Building, partly offset by an impact of currency translation due to THB appreciation against EUR and GBP
- **Net debt to equity ratio as of 30 June 2019 was 0.56x**, comparing with 0.55x at the end of last year

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## SIGNIFICANT EVENTS

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**4 major renovation works of Vienna House hotels completed.** The major renovation of Vienna House Easy Cracow, Vienna House Easy Bucharest, Vienna House Diplomat Prague and Vienna House Amber Baltic were completed in 2Q 2019.

**24 May 2019: Signed a new operating lease contract in Poland.** VHE Wroclaw Hotel Sp.z.o.o. (a wholly owned subsidiary of Vienna International Hotelmanagement AG), has signed new 20-year operating lease contract for 240-key hotel under Vienna House Easy brand located in Wroclaw, Poland. Vienna House Easy Wroclaw is expected to open in 2021.

**24 May 2019: Signed the amendment to the agreement in relation to Roi Chak Sam project development.** Roi Chak Sam project is aimed to be a luxurious 5-star hotel project in a rare, historic, colonial-era heritage building located along the Chao Praya Riverside on Charoen Krung road. This will be the new tourist spot in Bangkok that will enhance the hotel portfolio.

**4 June 2019: Acquisition of arcona Hotel Portfolio in Germany and Switzerland.** U City acquired a hotel portfolio ("arcona Hotel Portfolio") which incorporates the operating leases of 17 existing hotels (1,792 room keys) and operating lease of 2 new hotels which expect to start operations in 2020 and 2022 (251 room keys). All the hotels are located in Germany and Switzerland and are managed under the arcona and Steigenberger brands.

**14 June 2019: Acquisition of an Office Building at Noble Ploen Chit.** The Company acquired a 4-storey office building with total area of 4,446.72 sqm from Noble Development Public Company Limited (Noble) at total investment of THB 800,000,000.

## 2Q 2019 PERFORMANCE

## 2Q 2019 P&amp;L SNAPSHOT AND ANALYSIS

(THB mn)	2Q 2019	2Q 2018 <sup>1</sup>	% YoY	1Q 2019	% QoQ
Operating revenues	2,026.0	1,565.7	29.4%	1,347.6	50.3%
Other revenues	207.1	154.4	34.2%	114.3	81.2%
<b>Total Revenue</b>	<b>2,233.1</b>	<b>1,720.1</b>	<b>29.8%</b>	<b>1,461.9</b>	<b>52.8%</b>
Operating expenses	(799.3)	(586.3)	36.3%	(581.5)	37.4%
Selling and administrative expenses <sup>2</sup>	(974.0)	(770.2)	26.5%	(700.0)	39.2%
<b>EBITDA</b>	<b>508.5</b>	<b>176.2</b>	<b>188.6%</b>	<b>131.6</b>	<b>286.4%</b>
Finance cost	(200.8)	(218.9)	-8.3%	(193.6)	3.7%
Share of profit/loss from JVs/associates (equity income)	284.1	(26.0)	n.a.	(22.5)	n.a.
<b>Reported Net Profit/Loss</b>	<b>393.3</b>	<b>(255.0)</b>	<b>n.a.</b>	<b>(238.4)</b>	<b>n.a.</b>
<b>GOP margin (%)</b>	<b>60.5%</b>	<b>62.6%</b>		<b>56.8%</b>	
<b>EBITDA margin (%)</b>	<b>22.8%</b>	<b>10.2%</b>		<b>9.0%</b>	
<b>Operating EBITDA margin (%)<sup>2</sup></b>	<b>21.7%</b>	<b>23.2%</b>		<b>13.4%</b>	
<b>Reported Net profit margin (%)</b>	<b>17.6%</b>	<b>-14.8%</b>		<b>-16.3%</b>	

<sup>1</sup> Restated according to Purchase Price Allocation report of Vienna House and EBT of UE

<sup>2</sup> Exclude foreign exchange gain/(loss) and impairments

U City reported **total consolidated revenue** of THB 2,233mn in 2Q 2019. This represented an increase of 29.8% YoY or THB 513mn from the same period last year. The revenue growth was predominantly attributed from an increase in operating hotels, including 17 arcona and Steigenberger hotels in Germany and Switzerland, VHE Leipzig, VH Mokotow Warsaw and Eastin Thana City Golf Resort.

Please note that, the Company has restated its financial statements for the same period of the previous year after the fair value measurement of the identifiable assets acquired and the liabilities assumed at the acquisition date, and the measurement of goodwill of the hotel business in Europe and the EBT of UE were completed in the second quarter of 2018 and during the first quarter of 2019, respectively.

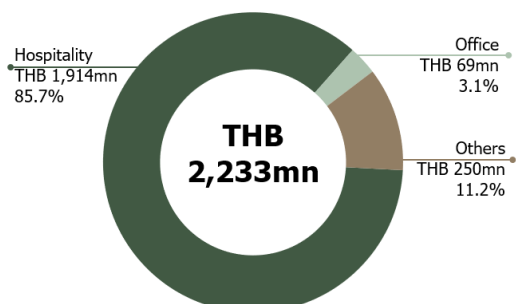
**Total consolidated expenses** amounted to THB 1,911mn in 2Q 2019, an increase of 12.0% YoY. The YoY increase was largely from cost of hotel operations, and depreciation from the aforementioned business expansion, which were partially offset with the unrealized gain from exchange rates comparing with the unrealized loss from exchange rates in the same period last year.

**Finance cost** was THB 201mn, decreasing from THB 219mn or 8.3% lower than the same period last year. This was the result of loan repayments/prepayments during FY 2018 and 1Q 2019, partially offset with the new loan facilities related to the arcona hotels acquisition.

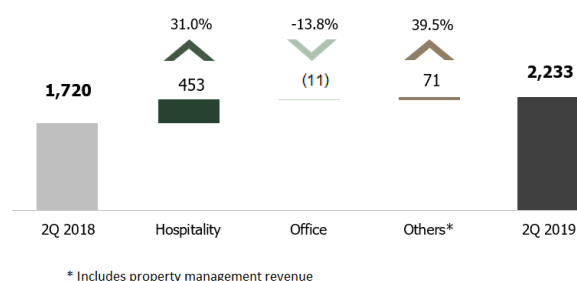
**Reported share of profit from associates/JVs** was THB 284mn, largely due to a share of profit THB 282mn from Sansiri JVs and THB 17mn from UBM JV.

## SEGMENTAL PERFORMANCE

2Q 2019 REVENUE CONTRIBUTION BY SEGMENT



2Q 2019 REVENUE GROWTH CONTRIBUTION



This quarter, the **hospitality segment** was the primary growth contributor, achieving 31% revenue growth (or increasing from THB 1,461mn in 2Q 2018 to THB 1,914mn in 2Q 2019). These was driven by (i) new contribution following the acquisition of arcona Hotel Portfolio in Germany and Switzerland and (ii) new hotels launched after 2Q 2018 namely; Vienna House Easy Leipzig, Vienna House Mokotow Warsaw and Eastin Thana City Golf Resort. Our **Office business** revenue decreased by THB 11mn or 14% YoY to THB 69mn which was mainly from THB appreciation against GBP. **Other income**, which totaled THB 250mn comprised of (i) interest income of THB 85mn, (ii) management income of THB 43mn from property management and administration service rendered and (iii) other (sundry) income of THB 122mn.

## HOSPITALITY SEGMENT

## HOTEL PORTFOLIO AND PERFORMANCE SNAPSHOT

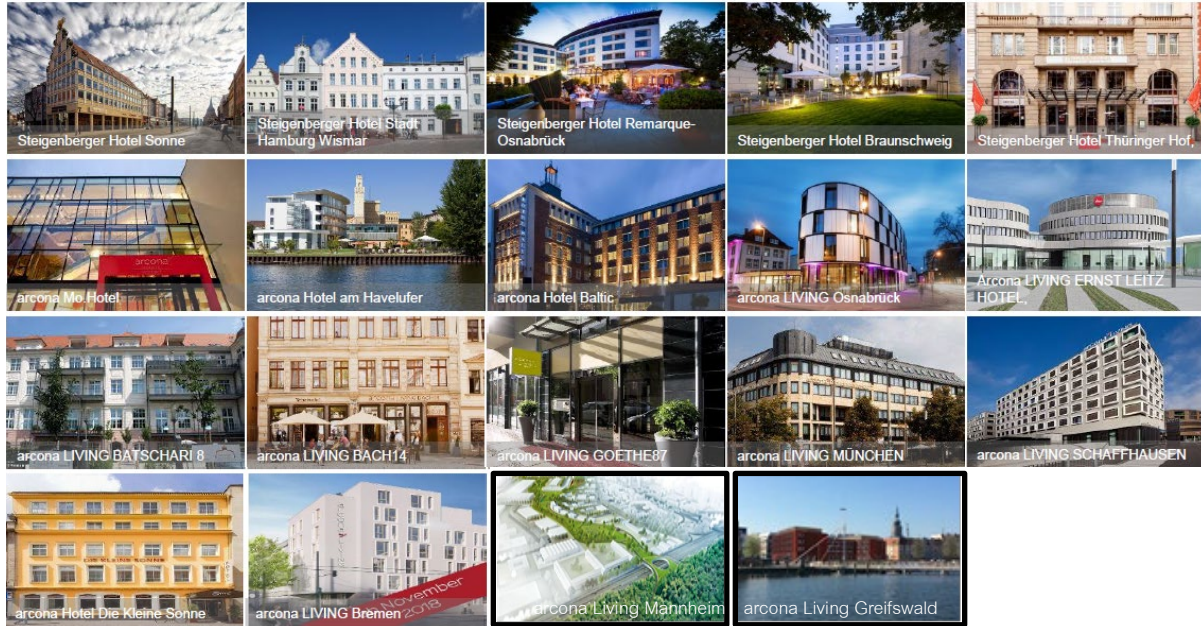
	No. of Keys			ADR (THB/night)*			Occupancy*			RevPAR (THB/night)*		
	2Q 19	2Q 18	+/-	2Q 19	2Q 18	+/-	2Q 19	2Q 18	+/-	2Q 19	2Q 18	+/-
Owned	3,963	3,794	169	2,517	2,725	(208)	68.4%	69.4%	-1.0%	1,722	1,892	(170)
Leased	3,251	1,090	2,161	3,458	3,560	(102)	75.1%	77.4%	-2.3%	2,598	2,757	(159)
Managed	4,493	5,192	(699)	3,548	3,573	(25)	82.1%	75.2%	6.9%	2,914	2,687	227
<b>Total</b>	<b>11,707</b>	<b>10,076</b>	<b>1,631</b>	<b>3,071</b>	<b>3,138</b>	<b>(67)</b>	<b>73.8%</b>	<b>72.6%</b>	<b>1.2%</b>	<b>2,268</b>	<b>2,277</b>	<b>(9)</b>

\* Excludes ADR, Occupancy and RevPAR of AHS managed hotels

In 2Q 2019, the total number of operational keys stood at 11,707 keys, an increase of 1,631 keys YoY. The number of owned keys increased by 169, largely as a result of adding Eastin Thana City Golf Resort into our portfolio. The number of operating leased keys increased by 2,161 keys due to the acquisition of the arcona Hotel Portfolio 19 hotels through Vienna House Germany II GmbH (VHG II) (17 operating hotels and 2 projects under development). The number of managed keys decreased by 699 as a result of discontinuation of management contracts. The occupancy rate also increased by 1.2% to 73.8%. Overall ADR slightly decreased to

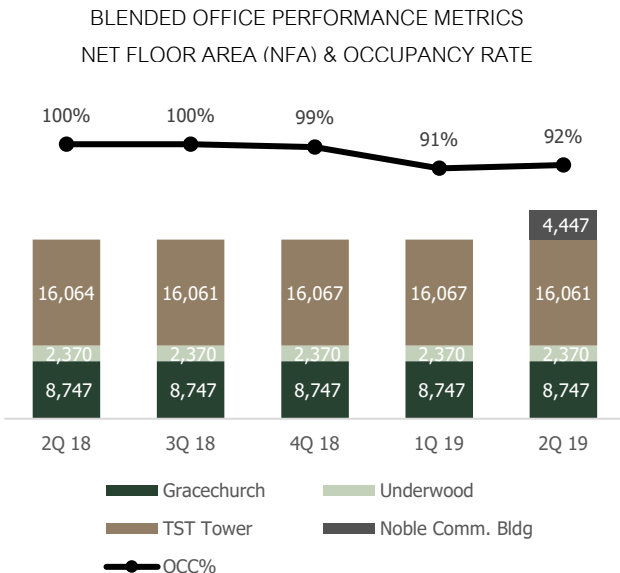
THB 3,071/night. This caused the RevPAR of our hotel to drop by 9 THB/night to THB 2,268/night. The decrease in ADR and RevPAR of our European portfolio in THB terms was also due to THB appreciation against EUR.

**Acquired 19 hotels in Germany and Switzerland in June and July 2019  
1,792 operating keys (17 hotels) and 251 pending keys (2 projects under development)**



U City's successfully acquired a hotel portfolio which incorporates the operating leases of 19 hotels (2 of which arcona Living Mannheim and arcona Living Greifswald are under development). The acquisition was made by Vienna House Germany II GmbH, which is a subsidiary in which the Company indirectly holds 100 percent of shares.

OFFICE SEGMENT



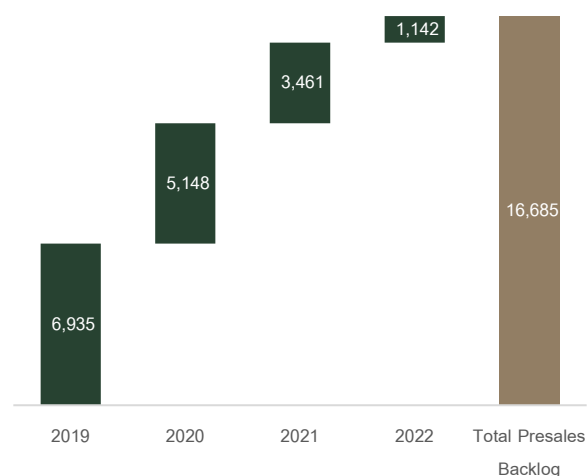
In 2Q 2019, we acquired a commercial building adjacent to BTS Ploenchit (“Noble Ploenchit Commercial Building”), increasing our office portfolio NFA by 4,447 sqm. Noble Ploenchit Commercial Building is 100% occupied. The NFA of TST tower slightly decreased due to closing some area for internal business operation. Gracechuch remains 100% occupied. The Renovation of Underwood Street office building was completed since February 2019 and we are currently in negotiations with potential new tenants. The overall of occupancy rate for office segment in 2Q2019 was 92.4%.

## RESIDENTIAL SEGMENT

### JV WITH SANSIRI: PROJECTS EXPECTED TO TRANSFER IN 2019

Project	Presales Backlog (THB mn)
1 THE LINE Sukhumvit 101	1,784
2 THE LINE Phahon Pradipat	1,905
3 THE BASE Petchkasem 29	1,020
4 The Monument Thonglor	708
5 THE LINE Wongsawang	261
6 KHUN By Yoo	1,257
<b>Total</b>	<b>6,935</b>

### JV WITH SANSIRI: TOTAL PRESALES BACKLOG

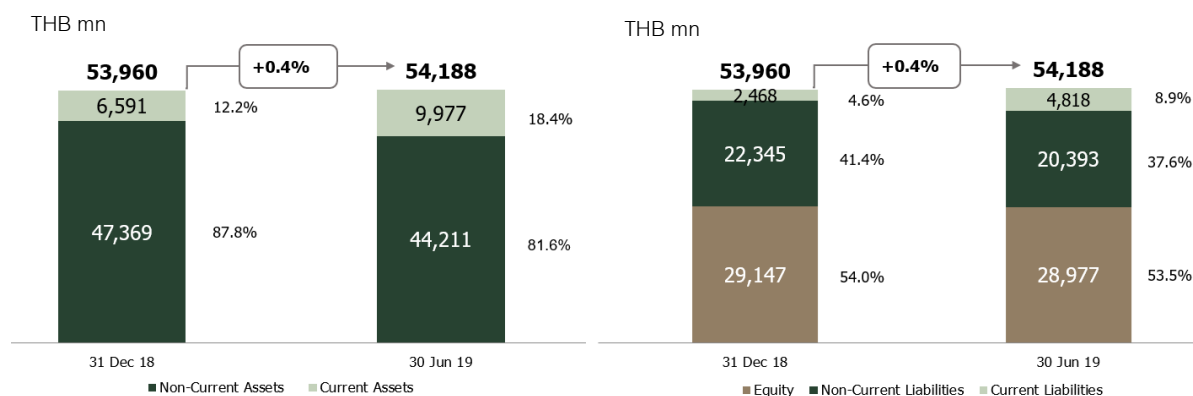


For the second quarter of 2019, the total presales backlog was THB 16,685mn, decreasing by 12.7% compared to the previous quarter of THB 19,117mn.

The BASE Petchkasem 29, The LINE Sukhumvit 101, KHUN By Yoo and The LINE Phahon Pradipat, construction is nearly completed and is expected to be ready for transfer in 4Q 2019.

As of 30 June 2019, the JVs had 2 remaining ready-to-transferred condominium projects; The Monument Thong Lo and The Line Wongsawang. Meanwhile, The Base Garden Rama 9, The Line Ratchathewi and The Line Asok-Ratchada (Dindang), were completely transferred in this quarter.

## FINANCIAL POSITION



**Total assets** as of 30 June 2019 stood at THB 54,188mn, an increase of 0.4% or THB 228mn from 31 December 2018. The increase was primarily attributed to (i) the increase in current and non-current assets from the acquired arcona Hotel Portfolio together with the acquisition of Noble Ploenchit Commercial Building, partially offset by (ii) the impact of currency translation on overseas assets due to THB appreciation against EUR and GBP.

**Total liabilities** as of 30 June 2019 was THB 54,188mn, an increase of 0.4% or THB 228mn from 31 December 2018. This was largely due to (i) long-term loan facilities for arcona Hotel Portfolio acquisition. The increase was partially offset by (ii) impact of currency translation due to THB appreciation against EUR and GBP and partial loan repayments.

**Total equity** as of 30 June 2019 was THB 28,977mn, a decrease of 0.6% or THB 171mn from 31 December 2018. The improvement of deficit from six-month net profit was diluted by the impact of currency translation due to THB appreciation against EUR and GBP.

To comply with the requirements of TFRS 5 (revised 2018) "Non-current Assets Held for Sale and Discontinued Operations", the Company separately presented the assets and liabilities relating to MCL and Boonbaramee and its subsidiaries under the caption of "Assets held for sale" and "Liabilities directly associated with assets held for sale" in the statement of financial position as at 30 June 2019. The operating results of Boonbaramee and its subsidiaries were separately presented under "Profit from discontinued operation for the period" in the consolidated profit or loss for the three-month and six-month period ended 30 June 2019 with those of the three-month and six-month period ended 30 June 2018 presented for comparative purposes.

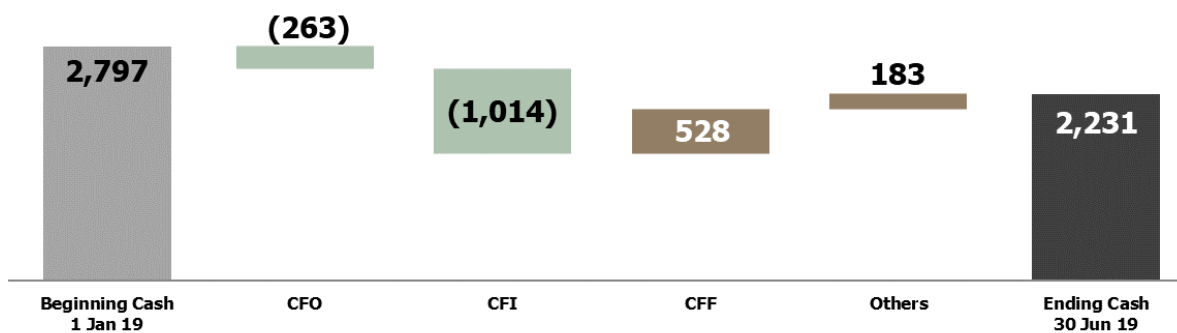
## CAPITAL STRUCTURE

As of 30 June 2019, U City's total interest-bearing debt was THB 19,165mn, a decrease of 6% or THB 1,180mn from the balance as of 31 December 2018. This was mainly due to the loan repayment and reclassification of Assets Held for Sale and Discontinued Operations, partially offset by long-term loan facilities for the arcona Hotel Portfolio acquisition. Subsequently, net interest-bearing debt to equity ratio stood at 0.56x compared with 0.55x at the end of last year.

For the six-month period ended 30 June 2019, the Company spent THB 2,060mn on capital expenditure and investment, primarily in investment properties, property, plant & equipment purchased and investment in subsidiaries.

## CASH FLOW

(THB mn)



\* Others includes translation adjustment and cash & cash equivalents of subsidiaries which classify as assets held for sale

For the six-month period ended 30 June 2019, **cash and cash equivalents** stood at THB 2,231mn, a 20.2% decrease or from THB 2,797mn at the beginning of the period. Cash used in operating activities was THB (263)mn. This was derived from profit before tax of THB 161mn, being offset by non-cash reconciling items THB 331mn and offset by changes in net working capital of THB (183)mn. After deducting cash paid for interest expenses of THB 531mn and cash paid for corporate income tax of THB 41mn **net cash used in operating activities** was THB (263)mn.

**Net cash used in investing activities** was THB (1,014)mn. The key components were from (i) cash paid for capital expenditure THB (2,060)mn, (ii) cash received from sale of current investments THB 900mn, (iii) dividend received of THB 388mn, (iv) interest received of THB 117mn, and (v) cash paid for long-term loans to related parties of THB (348)mn.

**Net cash from financing activities** was THB 528mn. The key components were cash received from long-term loans from financial institutions of THB 960mn, which was partially offset by repayment of long-term loans from financial institutions of THB (420)mn.



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## BUSINESS PLAN AND OUTLOOK

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The overall business outlook for 2H 2019 is slightly restrained; with potential impact from trade war and exchange rates constraining the business but favourably counterbalanced by well-performing overseas assets.

The Hotel industry remains the key revenue driver. Thai goods and services are at a premium due to the appreciation in Thai Baht, reducing the demand especially within the leisure segment. Fortunately, our portfolio is well-diversified – with 70% of hotels abroad, mainly in Germany, Poland and Czech Republic. While hotels in Thailand are expected to see moderating performance, the ones in Europe are entering the high season and with the major renovation of four hotels completed, this will enhance the allure of the product, driving RevPAR and ADR upwards. Additionally, with the recent acquisition of the arcona Hotel Portfolio comprising 19 hotels; (17 operating hotels and 2 projects under development), this will enhance the performance of hotel portfolios in Q3.

Our Office business continues its consistent performance. The revenue is contributed mainly by TST Tower (Bangkok) and 33 Gracechurch, (London). Office business in Thailand remains a landlord friendly market, which is reflected on an upward trend of rental rates. In London, our asset continues to experience rent increases but at a slower pace. The newly renovated Underwood Street office building in Shoreditch, London is now available for lease following renovation, however, the prolonged uncertainty surrounding BREXIT and the election contributes to a decision delay.

Residential for sales, through our joint venture with Sansiri, experiences an impact from the new LTV policy and the market uncertainty due to the trade war. The pace of release of newly launched projects are expected to be slow. Sansiri's strong network in the region contributes to the sales and transfer of completed projects.

Projects under development are on track. We are excited to make a change in international education through the Verso International School, whose curriculum is based on a 21st century educational concept. The construction is ahead of the schedule and is expected to be completed by the end of 2019. The construction of "The Unicorn", a mixed-use building adjacent to Phayathai BTS station and Airport Rail Link stations, is ahead of schedule and was 12% completed by the end of June. For Roi Chak Sam, the development process has already commenced with the research and design stage.

Looking forward, we will strive to enhance asset value through (i) expansion of hotels through asset-light strategy mainly via management agreement and operating lease in prominent locations (ii) growth of rental revenue together with increase in efficiency, (iii) development of high potential properties with innovative and creative value-added concept and (iv) selective asset divestment where assets are matured or strategically unaligned.

To achieve the plan above, one of the most important elements is people. The industry has been disrupted fast and will soon be disrupted faster, hence the Company needs to be agile. We are passionate about people development through training, workshop and culture reform. We promote a collaborative and innovative environment in the organization. People are the key to drive U City to growth in the path ahead.

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(Miss. Piyaporn Phanachet)

Executive Director and Chief Executive Officer