

## 2019 KEY FINANCIAL HIGHLIGHTS

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- Total revenue increased by 53.4% YoY to THB 10,145mn, predominantly due to the increase in revenue from hotel operations as a result of the hotel portfolio expansion and revenue from the sales of Mo Chit Land.
- EBITDA reached THB 3,195mn (up 272.7% YoY) largely as a result of the increase in total revenue and the EBITDA margin rose to 31.5% (2018; 13.0%)
- Reported net profit of THB 1,867mn (up 394.9% YoY), from aforementioned higher EBITDA as well as increased share of profit from joint ventures and lower finance costs.
- Total assets as of 31 December 2019 stood at THB 53,531mn, decreasing by 0.8% or THB 429mn from 31 December 2018. Assets increased primarily from the acquisition of the arcona hotel portfolio and Noble Ploenchit office building, however this was offset by the sale of Mo Chit Land, and largely from the appreciation of the THB that affected the value of the Company's overseas assets.
- Net debt to equity ratio as of 31 December 2019 stood at 0.48x, an improvement from 0.55x in 31 December 2018.

## SIGNIFICANT EVENTS

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### HOSPITALITY SEGMENT

#### The Acquisition of hotel portfolio via the ordinary shares purchase from the companies in Germany and Switzerland

30 April 2019 Vienna House Germany II GmbH or VHG II, a subsidiary of U City, entered into a share sales and purchase agreement to acquire ordinary shares in 12 companies in Germany and Switzerland with arcona Management GmbH. VHG II received operating lease rights of 17 existing hotels under the (i) arcona brand, (ii) arcona Living brand, and (iii) Steigenberger brand as well as 2 new hotels which will operate in 2020 and 2022.

4 June 2019 VHG II paid the share purchase price in the amount of EUR 15,684,924 to arcona Management GmbH, and in return received the transfer of ordinary shares in 12 German and Swiss companies as well as the operating lease of 15 existing hotels (total of 1,609 room keys).

1 August 2019 VHG II received the transfer of ordinary shares in 2 companies in Germany and obtained the right to manage 2 hotels in operation namely Vienna House Easy Mo. Stuttgart and Vienna Townhouse Bach Leipzig (total 183 keys) located in Germany. VHG II paid the share purchase price in the amount of EUR 4,213,788 to arcona Management GmbH.

#### Acquired a company and signed operating lease contract in Poland

7 January 2019 Vienna International Hotelmanagement AG or VI, a subsidiary of U City, acquired 100% of the ordinary shares in Glamford Investments S.p.z o.o. or Glamford (which was later renamed to VHE Wroclaw Hotel S.p.z.o.o.).

**24 May 2019** VHE Wrocław Hotel Sp.z.o.o., a subsidiary of U City, signed a 20-year operating lease contract to operate a hotel in Wrocław, Poland with a total of 240 keys under the Vienna House Easy Brand. Vienna House Easy Wrocław is expected to open in 2021.

**The Acquisition of the ordinary shares in Trebren Investments Sp.z.o.o.**

**20 September 2019** Vienna House Hotelmanagement GmbH or VHBM (formerly known as Vienna International Hotelmanagement AG), a subsidiary of the Company in Austria, has acquired 100% of Trebren Investments Sp.z.o.o. ordinary shares with the objective to operate Vienna House REVO Katowice, Poland.

**Opening of a new Vienna House hotel**

**25 February 2019** The 164-key operating lease hotel, Vienna House Mokotow Warsaw, was successfully launched. The hotel is in Warsaw, Poland.

**Renovation of four Vienna House hotels**

The major renovation of Vienna House Easy Cracow, Vienna House Easy Bucharest, Vienna House Diplomat Prague and Vienna House Amber Baltic were completed and returned to operation in 2Q 2019. The return to full revenue generation capability of these hotels was a welcome boost to the portfolio, particularly for Vienna House Diplomat Prague, which is one of the largest hotels in the Vienna House portfolio.

**Signing of the first Vienna House hotel in Asia under VH-AHS JV**

**18 January 2019** Vienna House Asia Limited, a 30:70 JV Company between Vienna House and Absolute Hotel Services Hong Kong, signed a new hotel management service agreement for a 775-key Vienna House Vung Tau Hotel in Vietnam.

**Roi Chak Sam project (The Customs House)**

**24 May 2019** The Company signed the amendment to the agreement in relation to Roi Chak Sam project. Roi Chak Sam project is positioned 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 growth of the company's hotel portfolio.

**9 October 2019** U City together with the Fine Arts Department started the process of archaeological excavation, along with recording and studying the topography of the site of The Customs House.

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## OFFICE SEGMENT

### Acquired Office Building at Noble Ploenchit

14 June 2019 The Company acquired a 4-storey office building with total area of 4,446.72 sqm from Noble Development PCL (Noble) at total investment of THB 800mn.

## DISPOSAL OF ASSETS

### Disposal of asset - Boonbaramee Metta Property

11 February 2019 The Company entered into a sales agreement of Boonbaramee Metta Property PCL (BMP), a subsidiary of U City, as a part of the Company's planned divestment programme of non-core assets.

### Disposal of asset - Mo Chit Land

10 April 2019 The Company entered into the Share Sale and Purchase Agreement to dispose ordinary shares in a subsidiary, Mo Chit Land Co., Ltd. (MCL), worth THB 4,320mn to Sino-Thai Engineering and Construction PCL.

1 November 2019 All ordinary shares of Mo Chit Land was transferred to Sino-Thai Engineering and Construction PCL and U City received the first installment of the purchase price of THB 1,300mn.

## OTHERS

### Annual General Meeting of Shareholders 2019

25 April 2019 The Company held the Annual General Meeting of Shareholders wherein all resolutions proposed were approved.

### Verso International School

19 September 2019 Verso International School – a 50:50 JV of U City and a Hong Kong partner has made the first press conference. The school offers a personalised educational experience designed with students' interests and passions at its core.

### Joint Venture with Sansiri

16 January 2019 Sansiri PCL or Sansiri, sold its ordinary shares in BTS Sansiri Holding Eighteen Co., Ltd. (a former U City and Sansiri 50:50 JV company) to Noble. The joint venture was renamed to Ratchada Alliance; which U City still holds 50% of the ordinary shares. The purpose of this JV is to invest and develop real estate projects for sale.

## 2019 PERFORMANCE

## 2019 P&amp;L SNAPSHOT AND ANALYSIS

(THB mn)	2019	2018 <sup>1</sup>	% YoY	4Q 2019	3Q 2019	% QoQ
Operating revenues	7,780.5	6,032.9	29.0%	2,205.3	2,201.7	0.2%
Other revenues	2,364.7	579.6	308.0%	1,903.8	229.2	730.6%
<b>Total Revenue</b>	<b>10,145.2</b>	<b>6,612.5</b>	<b>53.4%</b>	<b>4,109.1</b>	<b>2,430.9</b>	<b>69.0%</b>
Operating expenses	(3,192.5)	(2,323.7)	37.4%	(937.8)	(873.9)	7.3%
Selling and administrative expenses <sup>2</sup>	(3,757.3)	(2,910.9)	29.1%	(1,054.8)	(1,028.4)	2.6%
<b>EBITDA</b>	<b>3,195.4</b>	<b>857.4</b>	<b>272.7%</b>	<b>2,116.5</b>	<b>438.8</b>	<b>382.3%</b>
Finance cost	(793.3)	(834.9)	(5.0%)	(194.2)	(204.6)	(5.1%)
Share of profit/loss from JVs/associates (equity income)	292.0	27.0	982%	99.4	(69.00)	244.1%
<b>Reported Net Profit/Loss</b>	<b>1,866.9</b>	<b>(633.1)</b>	<b>394.9%</b>	<b>1,752.2</b>	<b>(40.2)</b>	<b>4,458.7%</b>
<b>GOP margin (%)</b>	<b>59.0%</b>	<b>61.5%</b>		<b>57.5%</b>	<b>60.3%</b>	
<b>EBITDA margin (%)</b>	<b>31.5%</b>	<b>13.0%</b>		<b>51.5%</b>	<b>18.1%</b>	
<b>Operating EBITDA margin (%)<sup>2</sup></b>	<b>20.4%</b>	<b>22.8%</b>		<b>19.7%</b>	<b>24.0%</b>	
<b>Reported Net profit margin (%)</b>	<b>18.4%</b>	<b>(9.6%)</b>		<b>42.6%</b>	<b>(1.7%)</b>	

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

<sup>2</sup> Exclude FX gain/(loss), impairments and Gain from MCL divestment

U City reported **total consolidated revenue** of THB 10,145mn in 2019. This represented an increase of THB 3,533mn (or 53.4% YoY) from THB 6,613mn in the previous year. The revenue growth was attributed chiefly to (i) revenue from hotel operations that increased by THB 1,618mn (or 29%) YoY to THB 7,264mn, (ii) other revenue that increased by THB 1,785mn (or 308%) YoY, primarily from the THB 1,559mn gain from sales of Mo Chit Land.

**Total consolidated expenses**, which comprised of operating expense, selling and administrative expense, and depreciation, increased by THB 1,275mn (19.9% YoY) to THB 7,676mn. The increase in total consolidated expenses was contributed largely by the hotel expansion which resulted in (i) operating expenses that increased THB 869mn (or 37%) YoY, (ii) selling and administrative expense that increased THB 846mn (or 29.1%) YoY and (iii) depreciation increased THB 81mn (or 12.5%) YoY.

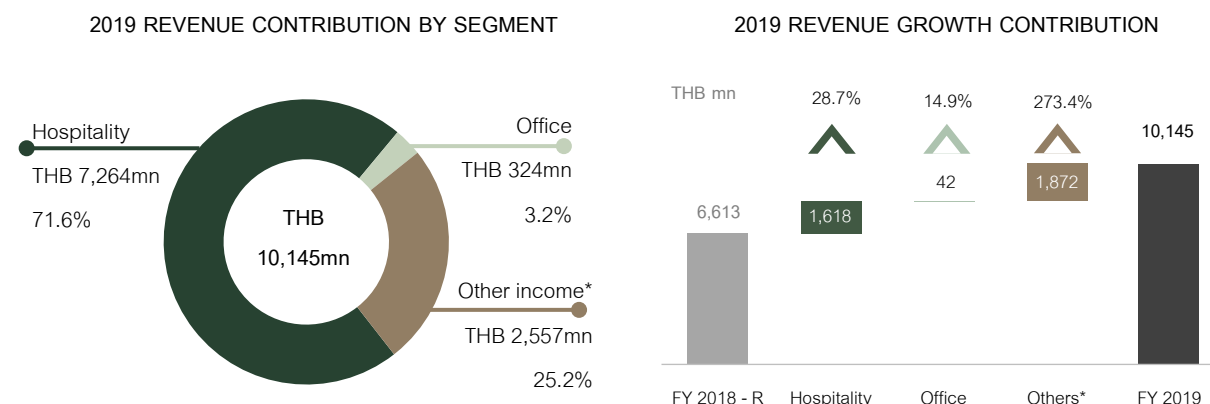
The company reported no impairment loss in 2019.

Reported **share of profit from associates/JVs** was THB 292mn, compared THB 27mn reported last year. The increase in share of profit from associates/JVs was contributed by (i) THB 306mn share of profit from Sansiri JV, (ii) THB 17mn share of profit from UBM JV, and (iii) THB 11mn share of profit from Absolute Hotel Services (AHS), and offset by THB 42mn loss in other associates/JVs.

**Finance costs** were THB 793mn, decrease 5.0% YoY or an amount of THB 42mn, as a result of loan repayment and prepayment, and partially offset by the additional loan for arcona Hotel acquisition.

Net profit was THB 1,867mn and net profit margin was 18.4% compared to (9.6%) in 2018.

## SEGMENTAL PERFORMANCE



\* Other revenue and management income

In 2019, the Hospitality segment contributed 71.6% of the total revenue, followed by Other revenue (including management income) at 25.2% and the Office segment at 3.2%.

Within the **Hospitality segment**, revenue grew by THB 1,618mn or 28.7% YoY to THB 7,264mn, the increase in revenue resulted from the expansion of the company's hotel portfolio from the acquisition of arcona Hotel portfolio in Germany and Switzerland since May 2019, in which 17 operating hotels revenue was recognised in 2019. The revenue increase was also helped by the revenue from the 4 renovated hotels that returned to operation since the second quarter.

Within the **Office segment**, the revenue grew by THB 42mn or 14.9% YoY to THB 324mn, increasing mainly from the newly acquired office building, Noble Ploenchit office building that generated revenue of approximately THB 15mn per quarter since June 2019.

**Other income** grew by 273.4% YoY or THB 1,872mn to THB 2,557mn, mainly from (i) gain from sales in subsidiaries company of Mo Chit Land THB 1,559mn, (ii) increase in interest income of THB 59mn, (iii) foreign exchange gain of THB 52mn, and (iv) increase in other income of THB 174mn.

## HOSPITALITY SEGMENT

	No. of Keys			ADR (THB/night)*			Occupancy (%)*			RevPAR (THB/night)*		
	FY 2019	FY 2018	+/-	FY 2019	FY 2018	+/-	FY 2019	FY 2018	+/-	FY 2019	FY 2018	+/-
Owned	3,961	3,961	0	2,541	2,788	(247)	68.4%	66.3%	2.1%	1,738	1,850	(112)
Leased	3,251	1,295	1,956	3,194	3,430	(236)	73.6%	74.1%	(0.5%)	2,352	2,542	(190)
Managed	4,537	4,619	(82)	3,242	3,420	(178)	76.9%	74.2%	2.7%	2,492	2,536	(44)
<b>Total Operational</b>	<b>11,749</b>	<b>9,875</b>	<b>1,874</b>	<b>2,931</b>	<b>3,001</b>	<b>(70)</b>	<b>72.1%</b>	<b>68.8%</b>	<b>3.3%</b>	<b>2,114</b>	<b>2,065</b>	<b>49</b>
Hotels in Pipeline	20,037	17,122	2,915									
<b>Grand Total</b>	<b>31,786</b>	<b>26,997</b>	<b>4,789</b>									

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

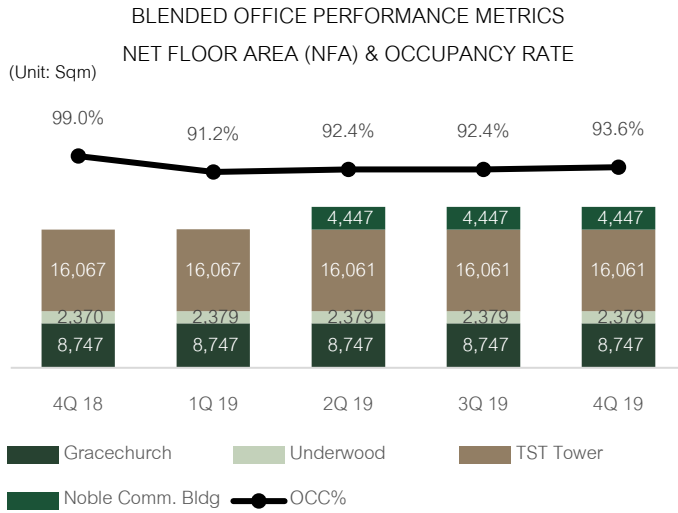
In 2019, total net **operational keys** increased by 1,874 keys from year 2018. 2,024 increased keys were from the following categories; (i) 1,792 keys from 17 hotels under operating Lease from the acquisition of arcona Hotel portfolio (ii) 164 keys from Vienna House Hotel Mokotow Warsaw, Poland, the new operating lease hotel opened in February 2019 (iii) additional 68 keys from 3 hotels that were completely renovated in 2019. This addition of the hotel keys was offset by the termination of management contract of Vienna House Drovak Karlovy Vary (Czech Republic), one of the Company's managed hotels with a total of 126 keys.

The **average daily rate (ADR)** decreased THB 70 per night as a result of the THB appreciation (THB appreciated from 38.15 THB/EUR in 2018 to 34.75 THB/EUR in 2019), since the majority of the Company's hotels earn their revenue in Euro.

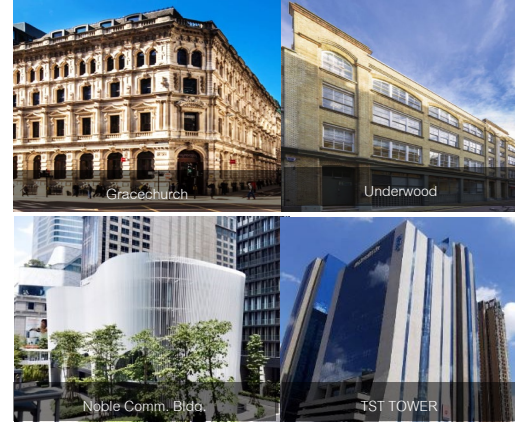
Overall **occupancy rate** increased by 3.3% from the previous year, in which the Company had VHE Bad Oeynhausen (Germany), VHE Chopin Cracow (Poland), VH Amber Baltic (Poland), VHE Bratislava (Slovakia) as the main driver of the increase in overall occupancy. As a result of the increase in the overall occupancy rate, the **Revenue per Available Room (RevPAR)** increased by 49 THB/night.

The prospective growth in hotel portfolio remains exciting. The overall **hotels keys in pipeline** now stands at 20,037 keys, a net increase of 2,915 keys from 2018. The pipeline growth stems from the increase of the new managed hotels 4,733 keys (18 hotels) and hotels planned for construction provided an additional of 827 keys (2 hotels). The increase was partially offset by the discontinuation in operations of the 2,645 keys (15 managed hotels).

OFFICE SEGMENT



OFFICE BUILDINGS



In 2019, the Company acquired Noble Ploenchit commercial building in 2Q 2019, which increases NFA by 4,447 sqm and it generates additional revenue per quarter by approximately THB 15mn, with the occupancy rate of 100% from June 2019.

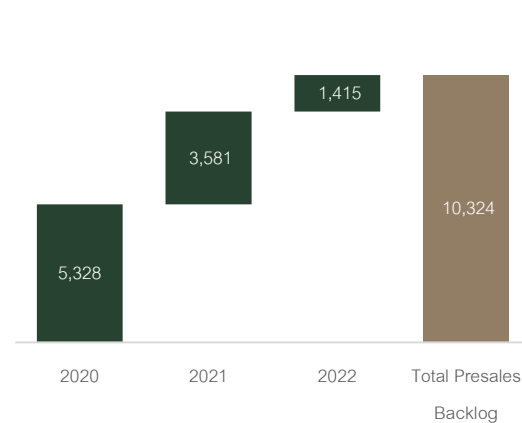
The Underwood Street office building in London has completed the negotiation with one new tenant. The new tenant made a decision to occupy the whole space in the 3rd floor (around 547 sqm out of 2,379 sqm), which increased the occupancy of the Underwood office building in 4Q 2019 to be 23% and drove the total occupancy rate from the last quarter by 1.2%. The other office buildings including Gracechurch (London) and TST (Bangkok); remained fully occupied in 2019.

RESIDENTIAL SEGMENT

JV WITH SANSIRI: PROJECTS EXPECTED TO TRANSFER IN 2020

Projects	Project Value (THB mn)
The Monument Thonglor	123
THE LINE Wongsawang	163
THE LINE Sukhumvit 101	1,320
THE LINE Phahon Pradipat	1,571
THE BASE Petchkasem 29	428
KHUN By Yoo	1,280
THE BASE Sapaan Mai	443
<b>Total</b>	<b>5,328</b>

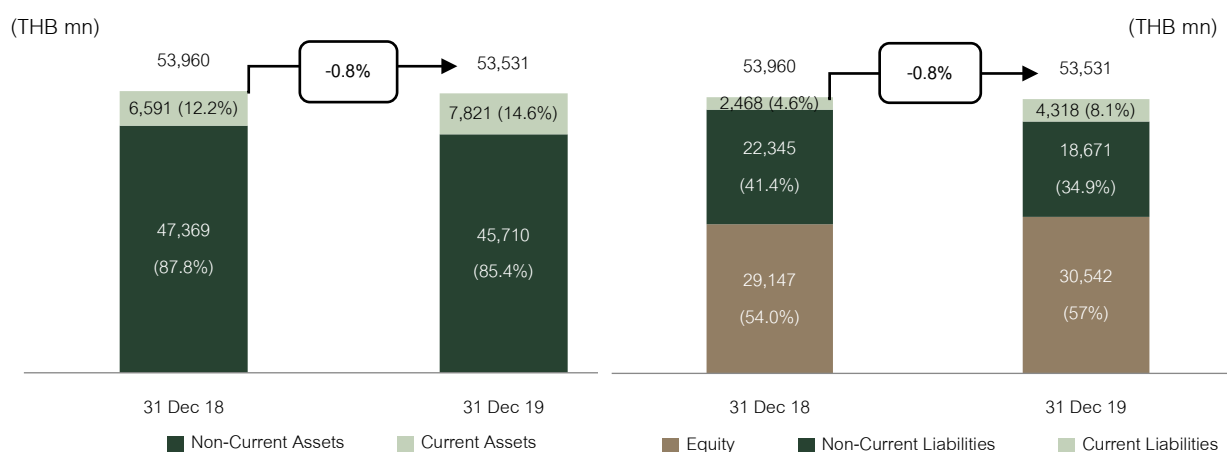
JV WITH SANSIRI: TOTAL PRESALES BACKLOG (THB mn)



Presales backlog at the end of year 2019 was THB 10,324mn from 9 projects expected to transfer during 2020 to 2022. Projects that were completely transferred in 2019; (i) The Base Garden Rama 9, (ii) The Line Ratchathewi, (iii) The Line Asok-Ratchada.

6 ready-to-move in projects comprised of, (i) The Line Wongsawang, (ii) The Monument Thonglor, (iii) The Line Sukumvit 101, (iv) The Line Phahon-Pradipat, (v) The Base Phetkasem and (vi) Khun By Yoo.

## FINANCIAL POSITION



As the Company entered into the Share Sale and Purchase Agreement to sell all shares of Boonbaramee Metta Property Company Limited (Boonbaramee) and its subsidiaries on 11 February 2019, 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 September 2019. The operating results of Boonbaramee and its subsidiaries were separately present under “Profit from discontinued operation for the period” in the consolidated profit or loss for the year ended 31 December 2019 with those of the year ended 31 December 2018 presented for comparative purposes.

**Total Assets** as of 31 December 2019 was THB 53,531mn, decreasing THB 429mn or 1% from 31 December 2018. The decrease was impacted by currency translation of the company’s overseas assets due to the THB appreciation. Current assets increased THB 1,230mn to THB 7,821mn at the end of 2019, while non-current assets decreased THB 1,659mn to THB 45,710mn; the change in the current and non-current assets was contributed mostly by the reclassification of Boonbaramee’s long term assets to asset available for sales amounted THB 1,639mn.

**Total Liabilities** as of 31 December 2019 was THB 22,988mn, decreasing 7% or an amount of THB 1,824mn from THB 24,812mn at the end of 2018. Non-Current Liabilities was THB 18,671mn decreasing THB 3,674mn from THB 22,345mn at the end of the previous year. However, Current Liabilities increased significantly by 75% or an amount of THB 1,850mn from THB 2,468mn at the end of 2018 to THB 4,318mn on 31 December 2019 as a result of the THB 1,410mn loan related to the asset reclassified as available for sales of



Boonbaramee. The decrease of total liabilities was chiefly from the repayment of long-term loan, and the appreciation of the THB that affected the company's foreign liabilities.

**Total Equity** stood at THB 30,542mn on 31 December 2019, increased THB 1,395mn (4.8%) from THB 29,147mn at the end of 2018.

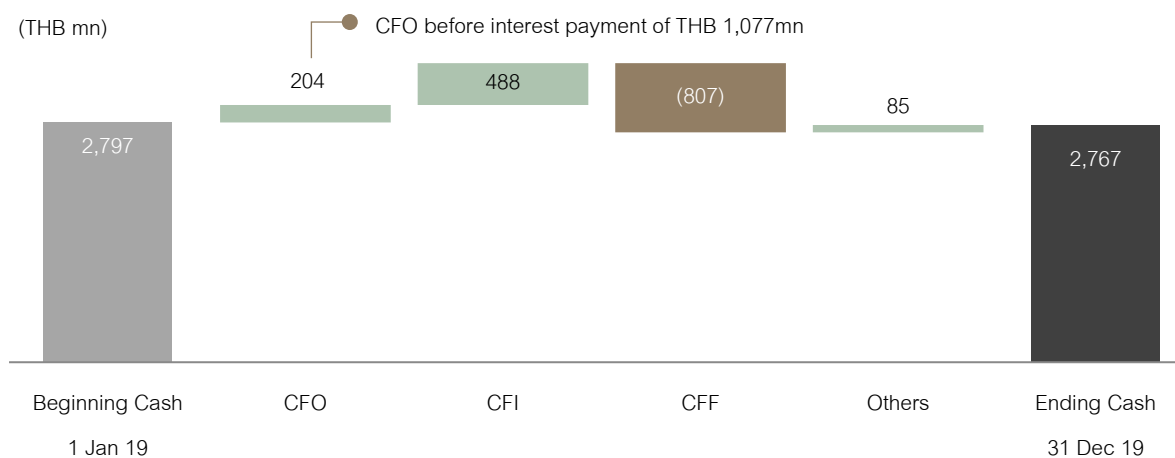
The increased was predominantly from the impact of currency translation due to THB appreciation.

## CAPITAL STRUCTURE

As of 31 December 2019, U City's total Interest-Bearing Debt was THB 17,595mn, decreasing THB 2,749mn from THB 20,344mn in 2018. The decrease resulted from the Company's debt repayment, debt in foreign currencies that decrease as a result of the THB appreciation, and debt of asset reclassified to held for sales. Currently net interest-bearing debt to equity ratio was 0.48x compared to that of last year at 0.55x.

In 2019 the Company spent THB 1,784mn on capital expenditure and investment, primarily in investment properties, property, plant & equipment purchased, land, and project awaiting development.

## CASH FLOW



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

As of December 2019, cash and cash equivalents was THB 2,767mn, decreasing 1% from THB 2,797mn at the beginning of the period.

In 2019, Cash generated from operating activities was THB 1,208mn. This was derived from profit before tax of THB 1,968mn, being offset by non-cash reconciling items of THB 602mn and changes in net working capital of THB 158mn. After deducting cash paid for interest expenses of THB (873)mn and cash paid for corporate income tax of THB (131)mn, **net cash from operating activities** was THB 204mn.

**Net Cash received from investing activities** was THB 488mn. The key drivers were: (i) the sales of current investments THB 1,483mn (ii) cash received from sales of investments in subsidiaries THB 1,300mn, and (iii) cash paid for purchase of investment properties THB (1,331)mn.

**Net Cash used in financing activities** was THB (807)mn. The key components were cash received from long-term loans from financial institutions of THB 1,044mn, which was partially offset by repayment of loans from financial institutions THB (1,735)mn.

## BUSINESS PLAN AND OUTLOOK

In 2020, our **Hospitality business** continues to be the main revenue driver of the Company. We strategically expanded our overseas hotel portfolio as well as restructured our overseas hospitality assets to improve efficiency in the prior year. This year, we expect to see the full effect of the arcona hotel portfolio that we acquired in 2019 to our revenue.

Our **Office business** continues its consistent performance with TST tower (Bangkok) and 33 Gracechurch street (London) as the main contributors as well as the Noble Ploenchit commercial building that we acquired in 2019. The Underwood Street office had finalised the negotiation process with a tenant who signed a 10-year rental contract. Nevertheless, we are looking forward to the Unicorn (a mixed-used building that has 22,499 sqm office space) opening in 2022, our additional revenue source for office segment.

All of our **Projects in Development** are on track. The construction of **The Unicorn** is according to schedule. For The Customs House or the **Roi Chak Sam project**, the archaeological excavation process is almost completed. For **Verso International School**, an international school that offers personalised education based on American School system, the construction is 85% completed and will open the first semester in August 2020.

In 2020, we expect that the Company's operations will be affected by various risks factors such as the outbreak of the novel coronavirus, the uncertainty of the global economy, and the ongoing geopolitical tension. Although many risks are emerging, we believe that within these risks there are still opportunities for us, which we will adjust our business strategy soundly and cautiously to achieve our goal.

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

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(Ms. Piyaporn Phanachet)

Executive Director and Chief Executive Officer