

# news release

Mandarin Oriental International Limited

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To: Business Editor

26th July 2018  
For immediate release

*The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.*

## **MANDARIN ORIENTAL INTERNATIONAL LIMITED HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018**

### **Highlights**

- Underlying profit 49% higher due to improved performances across portfolio
- Five new management contracts signed
- Strategic review of The Excelsior, Hong Kong ongoing

“Underlying profit was higher during the first half of the year due to generally improved performances across the portfolio, notably in Hong Kong. This positive trend is expected to continue in the second half of the year. The Group is working towards an anticipated partial reopening of Mandarin Oriental Hyde Park, London in the fourth quarter of this year.”

Ben Keswick  
*Chairman*

### **Results**

	(unaudited) Six months ended 30th June		Change
	2018 US\$m	2017 US\$m	%
Combined total revenue of hotels under management <sup>(1)</sup>	700.2	644.8	+9
Underlying EBITDA (Earnings before interest, tax, depreciation and amortisation) <sup>(2)</sup>	79.6	61.5	+29
Underlying profit attributable to shareholders <sup>(3)</sup>	22.3	15.0	+49
Profit attributable to shareholders	22.3	15.0	+49
	US¢	US¢	%
Underlying earnings per share <sup>(3)</sup>	1.77	1.19	+49
Earnings per share	1.77	1.19	+49
Interim dividend per share	1.50	1.50	-
	US\$	US\$	%
Net asset value per share <sup>(4)</sup>	0.99	1.01	-2
Adjusted net asset value per share <sup>(4)(5)</sup>	4.54	4.57	-1
Net debt/shareholders' funds <sup>(4)</sup>	26%	26%	
Net debt/adjusted shareholders' funds <sup>(4)(5)</sup>	6%	6%	

(1) Combined revenue includes turnover of the Group's subsidiary hotels in addition to 100% of revenue from associate, joint venture and managed hotels.  
(2) EBITDA of subsidiaries plus the Group's share of EBITDA of associates and joint ventures.  
(3) The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 7 to the condensed financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.  
(4) At 30th June 2018 and 31st December 2017, respectively.  
(5) The Group's freehold and leasehold interests are carried in the consolidated balance sheet at amortised cost. Both the adjusted net asset value per share and net debt/adjusted shareholders' funds for 30th June 2018 and 31st December 2017 have been adjusted to include the market value of the Group's freehold and leasehold interests which were appraised as at 31st December 2017.

The interim dividend of US¢1.50 per share will be payable on 10th October 2018 to shareholders on the register of members at the close of business on 17th August 2018.

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**MANDARIN ORIENTAL INTERNATIONAL LIMITED**  
**HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018**

**OVERVIEW**

Underlying profit was higher during the first half of the year due to generally improved performances across the Group's portfolio, notably in Hong Kong. Results were, however, impacted by the commencement of the restoration of Hotel Ritz, Madrid.

The Group is working with its insurers to assess the impact of the fire at Mandarin Oriental Hyde Park, London in June.

Strategic options for The Excelsior, Hong Kong, including the possible redevelopment of the site into a commercial building, remain under consideration.

**FINANCIAL PERFORMANCE**

Underlying earnings before interest, tax, depreciation and amortisation for the first six months of 2018 were US\$80 million, up from US\$62 million in the first half of 2017. These results include an early termination fee in respect of the cessation of the Group's management of the Las Vegas hotel from the end of August 2018.

Underlying profit for the period was US\$22 million, compared with US\$15 million in the equivalent period in 2017. Underlying earnings per share were US¢1.77, up from US¢1.19 in 2017. The Group's US\$20 million estimate of a write-off of tangible assets in relation to the London fire has been offset by insurance claims recoverable.

In light of the ongoing programme of renovations, an interim dividend of US¢1.50 per share has been declared, unchanged from last year.

At 30th June 2018, the Group's net debt was US\$325 million, compared to US\$327 million at the end of 2017. Gearing as a percentage of adjusted shareholders' funds at 30th June 2018 was 6%, in line with that reported at the end of 2017.

## **HOTEL PERFORMANCE**

Results were higher during the first half of the year due to improved performances across most of the portfolio, particularly from Hong Kong, Singapore, Bangkok and Tokyo. There were also signs of recovery in Paris after several years of weak demand. In The Americas, there were weaker performances in Boston and in Washington D.C. compared with the same period last year, with the latter having benefited from the Presidential Inauguration in 2017. Overall results were impacted by the closure of Hotel Ritz, Madrid in February 2018 for a comprehensive 19-month restoration.

Mandarin Oriental Hyde Park, London has closed for the necessary repairs but it is anticipated that the hotel will be able to partially reopen in the fourth quarter of this year. The impact of the fire is being assessed by insurers with the estimate of a write-off of tangible assets offset by insurance claims recoverable. Given the coverage under the Group's insurance arrangements, the impact on the Group's profitability is expected to be modest. We would like to express our appreciation for the efforts of all our colleagues in dealing with what were very difficult circumstances.

## **STRATEGIC REVIEW OF THE EXCELSIOR, HONG KONG**

In June 2017, the Group announced that consideration was being given to potential strategic options for The Excelsior, Hong Kong. The Group is still considering all options for the site, including possible redevelopment as a commercial property.

## **NEW DEVELOPMENTS**

In addition to the hotel in Viña del Mar, Chile and residences in Barcelona mentioned at the time of the Group's preliminary results, three other new management contracts have been signed in the first six months of the year. A new hotel in Ho Chi Minh City, the Group's first property in Vietnam, is scheduled to open in 2020. Two new properties, both with branded residences, in Muscat, Oman and Grand Cayman, will follow in 2021.

In the next 12 months, the Group expects to open its first hotels in Beijing, Doha and Dubai, as well as *The Residences at Mandarin Oriental* in Bangkok.

## **PEOPLE**

Dr Richard Lee and Lord Powell of Bayswater stepped down as Directors on 9th May 2018. We would like to thank them both for their significant contributions to the Company over many years. We would also like to welcome Jack Yilun Chen, who has joined the Board.

As announced earlier this week, Stuart Dickie is to step down as Chief Financial Officer on 31st October 2018 and will be succeeded by Craig Beattie. We would like to thank Stuart for his major contribution to the Group's development.

## **OUTLOOK**

Underlying profit was higher during the first half of the year due to generally improved performances across the portfolio, notably in Hong Kong. This positive trend is expected to continue in the second half of the year. The Group is working towards an anticipated partial reopening of Mandarin Oriental Hyde Park, London in the fourth quarter of this year.

Ben Keswick

*Chairman*

**Mandarin Oriental International Limited**  
**Consolidated Profit and Loss Account**

	(unaudited)						Year ended 31st December		
	2018			2017			2017		
	Underlying business performance US\$m	Non-trading Items (note 7) US\$m	Total US\$m	Underlying business performance US\$m	Non-trading Items (note 7) US\$m	Total US\$m	Underlying business performance US\$m	Non-trading Items (note 7) US\$m	Total US\$m
Revenue (note 2)	307.9	-	307.9	286.7	-	286.7	610.8	-	610.8
Cost of sales	(195.8)	-	(195.8)	(189.1)	-	(189.1)	(389.7)	-	(389.7)
Gross profit	112.1	-	112.1	97.6	-	97.6	221.1	-	221.1
Selling and distribution costs	(19.9)	-	(19.9)	(19.8)	-	(19.8)	(38.2)	-	(38.2)
Administration expenses	(60.2)	-	(60.2)	(55.3)	-	(55.3)	(113.9)	-	(113.9)
Other operating income	3.3	-	3.3	-	-	-	-	-	-
Operating profit (note 3)	35.3	-	35.3	22.5	-	22.5	69.0	-	69.0
Financing charges	(6.7)	-	(6.7)	(6.2)	-	(6.2)	(12.3)	-	(12.3)
Interest income	0.8	-	0.8	0.6	-	0.6	1.3	-	1.3
Net financing charges	(5.9)	-	(5.9)	(5.6)	-	(5.6)	(11.0)	-	(11.0)
Share of results of associates and joint ventures (note 4)	1.3	-	1.3	3.0	-	3.0	11.5	-	11.5
Profit before tax	30.7	-	30.7	19.9	-	19.9	69.5	-	69.5
Tax (note 5)	(8.4)	-	(8.4)	(4.7)	-	(4.7)	(15.0)	-	(15.0)
Profit after tax	22.3	-	22.3	15.2	-	15.2	54.5	-	54.5
Attributable to:									
Shareholders of the Company	22.3	-	22.3	15.0	-	15.0	54.9	-	54.9
Non-controlling interests	-	-	-	0.2	-	0.2	(0.4)	-	(0.4)
	22.3	-	22.3	15.2	-	15.2	54.5	-	54.5
	US¢		US¢	US¢		US¢	US¢		US¢
Earnings per share (note 6)									
- basic	1.77		1.77	1.19		1.19	4.37		4.37
- diluted	1.77		1.77	1.19		1.19	4.35		4.35

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**Mandarin Oriental International Limited**  
**Consolidated Statement of Comprehensive Income**


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	(unaudited) Six months ended 30th June <b>2018</b> US\$m	2017 US\$m	Year ended 31st December 2017 US\$m
Profit for the period	<b>22.3</b>	15.2	54.5
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	<b>0.2</b>	-	7.7
Tax on items that will not be reclassified	-	-	(1.2)
	<b>0.2</b>	-	6.5
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net (losses)/gains arising during the period	<b>(28.8)</b>	61.6	87.1
Cash flow hedges			
- net gains/(losses) arising during the period	<b>1.6</b>	(0.5)	0.8
Tax relating to items that may be reclassified	<b>(0.3)</b>	0.1	(0.2)
Share of other comprehensive (expense)/income of associates and joint ventures	<b>(1.6)</b>	4.6	8.4
	<b>(29.1)</b>	65.8	96.1
Other comprehensive (expense)/income for the period, net of tax	<b>(28.9)</b>	65.8	102.6
Total comprehensive (expense)/income for the period	<b>(6.6)</b>	81.0	157.1
Attributable to:			
Shareholders of the Company	<b>(6.4)</b>	80.6	157.3
Non-controlling interests	<b>(0.2)</b>	0.4	(0.2)
	<b>(6.6)</b>	81.0	157.1

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**Mandarin Oriental International Limited**  
**Consolidated Balance Sheet**


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	(unaudited)	At 31st	
	At 30th June	December	
	2018	2017	
	US\$m	US\$m	
	US\$m	US\$m	
<b>Net assets</b>			
Intangible assets	47.8	44.5	47.7
Tangible assets	1,409.2	1,416.0	1,453.2
Associates and joint ventures	194.7	176.6	196.6
Other investments	11.1	10.7	11.0
Deferred tax assets	10.7	2.2	11.0
Pension assets	4.2	-	4.9
Other non-current assets	1.7	-	0.5
Non-current assets	<u>1,679.4</u>	<u>1,650.0</u>	<u>1,724.9</u>
Stocks	6.2	6.1	6.4
Debtors and prepayments	112.8	84.6	100.2
Current tax assets	3.2	4.4	4.0
Bank and cash balances	204.4	157.2	183.9
Current assets	<u>326.6</u>	<u>252.3</u>	<u>294.5</u>
Creditors and accruals	(139.5)	(131.4)	(151.4)
Current borrowings	(2.6)	(0.2)	(2.6)
Current tax liabilities	(23.6)	(9.2)	(17.8)
Current liabilities	<u>(165.7)</u>	<u>(140.8)</u>	<u>(171.8)</u>
Net current assets	160.9	111.5	122.7
Long-term borrowings	(527.0)	(477.8)	(508.1)
Deferred tax liabilities	(57.7)	(55.7)	(58.6)
Pension liabilities	(0.4)	(3.8)	(0.6)
Other non-current liabilities	-	(1.0)	(0.2)
	<u>1,255.2</u>	<u>1,223.2</u>	<u>1,280.1</u>
<b>Total equity</b>			
Share capital	63.0	62.9	62.9
Share premium	497.6	492.8	493.9
Revenue and other reserves	688.7	663.1	717.2
Shareholders' funds	<u>1,249.3</u>	<u>1,218.8</u>	<u>1,274.0</u>
Non-controlling interests	5.9	4.4	6.1
	<u>1,255.2</u>	<u>1,223.2</u>	<u>1,280.1</u>

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**Mandarin Oriental International Limited**  
**Consolidated Statement of Changes in Equity**

	Share capital US\$m	Share premium US\$m	Capital reserves US\$m	Revenue reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Attributable to shareholders of the Company US\$m	Attributable to non-controlling interests US\$m	Total equity US\$m
<i>Six months ended 30th June 2018 (unaudited)</i>									
At 1st January 2018	62.9	493.9	265.9	526.5	0.1	(75.3)	1,274.0	6.1	1,280.1
Total comprehensive income	-	-	-	22.5	1.4	(30.3)	(6.4)	(0.2)	(6.6)
Dividends paid by the Company	-	-	-	(18.9)	-	-	(18.9)	-	(18.9)
Issue of shares	0.1	0.1	-	-	-	-	0.2	-	0.2
Share-based long-term incentive plans	-	-	0.4	-	-	-	0.4	-	0.4
Transfer	-	3.6	(3.6)	-	-	-	-	-	-
At 30th June 2018	<b>63.0</b>	<b>497.6</b>	<b>262.7</b>	<b>530.1</b>	<b>1.5</b>	<b>(105.6)</b>	<b>1,249.3</b>	<b>5.9</b>	<b>1,255.2</b>
<i>Six months ended 30th June 2017 (unaudited)</i>									
At 1st January 2017	62.8	490.4	286.2	501.2	(0.6)	(170.6)	1,169.4	4.0	1,173.4
Total comprehensive income	-	-	-	15.0	(0.4)	66.0	80.6	0.4	81.0
Dividends paid by the Company	-	-	-	(31.4)	-	-	(31.4)	-	(31.4)
Issue of shares	0.1	-	-	-	-	-	0.1	-	0.1
Share-based long-term incentive plans	-	-	0.1	-	-	-	0.1	-	0.1
Transfer	-	2.4	(18.9)	16.5	-	-	-	-	-
At 30th June 2017	<b>62.9</b>	<b>492.8</b>	<b>267.4</b>	<b>501.3</b>	<b>(1.0)</b>	<b>(104.6)</b>	<b>1,218.8</b>	<b>4.4</b>	<b>1,223.2</b>

Total comprehensive income for the six months ended 30th June 2018 included in revenue reserves comprised profit attributable to shareholders of the Company of US\$22.3 million (2017: US\$15.0 million) and net actuarial gain on employee defined benefit plans of US\$0.2 million (2017: nil).

(Consolidated Statement of Changes in Equity continued on page 9)



**Mandarin Oriental International Limited**  
**Consolidated Statement of Changes in Equity** *(continued)*

	Share capital US\$m	Share premium US\$m	Capital reserves US\$m	Revenue reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Attributable to shareholders of the Company US\$m	Attributable to non- controlling interests US\$m	Total equity US\$m
<i>Year ended 31st December 2017</i>									
At 1st January 2017	62.8	490.4	286.2	501.2	(0.6)	(170.6)	1,169.4	4.0	1,173.4
Total comprehensive income	-	-	-	61.3	0.7	95.3	157.3	(0.2)	157.1
Dividends paid by the Company	-	-	-	(50.3)	-	-	(50.3)	-	(50.3)
Issue of shares	0.1	0.6	-	-	-	-	0.7	-	0.7
Share-based long-term incentive plans	-	-	(0.8)	-	-	-	(0.8)	-	(0.8)
Change in interest in a subsidiary	-	-	-	(2.3)	-	-	(2.3)	2.3	-
Transfer	-	2.9	(19.5)	16.6	-	-	-	-	-
At 31st December 2017	<u>62.9</u>	<u>493.9</u>	<u>265.9</u>	<u>526.5</u>	<u>0.1</u>	<u>(75.3)</u>	<u>1,274.0</u>	<u>6.1</u>	<u>1,280.1</u>

Total comprehensive income for the year ended 31st December 2017 included in revenue reserves comprised profit attributable to shareholders of the Company of US\$54.9 million and net actuarial gain on employee defined benefit plans of US\$6.4 million.

Change in interest in a subsidiary included the Group's increase in attributable interest in Portals Hotel Site LLC, the owner of Mandarin Oriental, Washington D.C., from 80% to 83.6% as a result of a non-controlling member of the subsidiary failing to fund an additional capital contribution in 2017.

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**Mandarin Oriental International Limited**  
**Consolidated Cash Flow Statement**


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	(unaudited)	Year ended	
	Six months ended	31st	
	30th June	December	
	2018	2017	
	US\$m	US\$m	
	US\$m	US\$m	
<b>Operating activities</b>			
Operating profit	35.3	22.5	69.0
Depreciation	29.5	26.0	56.7
Amortisation of intangible assets	2.4	1.0	2.1
Other non-cash items	20.5	0.3	0.2
Movements in working capital	(24.1)	5.7	9.6
Interest received	0.7	0.7	1.3
Interest and other financing charges paid	(6.5)	(7.0)	(12.3)
Tax paid	(1.9)	(4.5)	(13.3)
	<u>55.9</u>	<u>44.7</u>	<u>113.3</u>
Dividends and interest from associates and joint ventures	3.2	2.0	6.6
Cash flows from operating activities	59.1	46.7	119.9
<b>Investing activities</b>			
Purchase of tangible assets	(34.0)	(36.2)	(82.6)
Purchase of intangible assets	(2.2)	(0.9)	(5.7)
Payment on Munich expansion	-	(2.9)	(3.1)
Purchase of other investments	(0.8)	(0.7)	(0.9)
Advance to associates and joint ventures	(4.9)	(1.9)	(11.4)
Repayment of loans to associates and joint ventures	0.4	0.8	1.3
Sale of other investments	-	-	0.4
Cash flows from investing activities	(41.5)	(41.8)	(102.0)
<b>Financing activities</b>			
Issue of shares	0.1	-	0.6
Drawdown of borrowings	24.1	-	30.8
Repayment of borrowings	(0.1)	(2.4)	(2.5)
Dividends paid by the Company (note 8)	(18.9)	(31.4)	(50.3)
Cash flows from financing activities	<u>5.2</u>	<u>(33.8)</u>	<u>(21.4)</u>
Net increase/(decrease) in cash and cash equivalents	22.8	(28.9)	(3.5)
Cash and cash equivalents at beginning of period	183.9	182.5	182.5
Effect of exchange rate changes	(2.3)	3.6	4.9
Cash and cash equivalents at end of period	<u>204.4</u>	<u>157.2</u>	<u>183.9</u>

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**Mandarin Oriental International Limited**  
**Notes to Condensed Financial Statements**

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1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and on a going concern basis. The condensed financial statements have not been audited or reviewed by the Group's auditors pursuant to the UK Auditing Practices Board guidance on the review of interim financial information.

There are no changes to the accounting policies as described in the 2017 annual financial statements except for the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1st January 2018 as set out below.

The other amendments, which are effective in 2018 and relevant to the Group's operations, do not have a significant effect on the Group's accounting policies.

The Group has not early adopted any standard, interpretation or amendment that have been issued but not yet effective.

IFRS 9 'Financial Instruments'

Under IFRS 9, the gains and losses arising from changes in fair value of the Group's investments in equity securities, previously classified as available-for-sale, will be recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments are classified as non-trading items, and do not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds. The new forward-looking expected credit loss model, which replaces the incurred loss impairment model, does not affect the Group's impairment provisions and earnings. The new hedge accounting rules, which align the accounting for hedging instruments closely with the Group's risk management practices, has no significant impact to the Group.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard does not change the Group's revenue recognition from hotel ownership, hotel management, rendering of services and sales of goods.

Changes to accounting policies on adoption of IFRS 9 and 15 have been applied retrospectively but the adoption does not have impact to the comparative financial statements.

Changes in principal accounting policies on adoption of IFRS 9 and 15

*Investments*

The Group's investments are measured at fair value through profit and loss, fair value through other comprehensive income or at amortised cost. Their classification is based on the management's business model and their contractual cash flows characteristics.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (*CONTINUED*)

Change in principal accounting policies on adoption of IFRS 9 and 15 (*continued*)

*Investments (continued)*

Equity investments are measured at fair value with fair value gains and losses recognised in profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income. For equity investments fair value through other comprehensive income, there is no subsequent reclassification of the fair value gains and losses to profit and loss upon its derecognition.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

*Debtors*

Debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. The impairment measurement is subject to whether there has been a significant increase in credit risk. The Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade debtors. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

*Non-trading items*

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of equity investments which are fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

*Revenue recognition*

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and service provided in the normal course of business, net of discounts and sales related taxes.

- i) Revenue from hotel ownership comprises amounts earned in respect of services, facilities and goods supplied by the subsidiary hotels. Revenue from the rendering of services is recognised when services are performed, provided that the amount can be measured reliably. Revenue from the sale of goods is recognised when or as the control of the assets is transferred to the customers, which generally coincides with the time when the goods are delivered to customers.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (*CONTINUED*)Change in principal accounting policies on adoption of IFRS 9 and 15 (continued)*Revenue recognition (continued)*

- ii) Revenue from hotel management comprises gross fees earned from the management of all the hotels operated by the Group. Management fees are recognised when earned as determined by the management contract. Management fees charged to the subsidiary hotels are eliminated upon consolidation.
- iii) Receipts under operating leases are accounted for on an accrual basis over the lease terms.
- iv) Interest income from a financial asset is recognised on a time proportion basis using the effective interest method.
- v) Dividend income is recognised when the right to receive payment is established.

## 2. REVENUE

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
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<i>By geographical area:</i>		
Hong Kong	118.5	109.8
Other Asia	55.5	51.5
Europe	76.3	72.9
The Americas	57.6	52.5
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	307.9	286.7
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## 3. EBITDA FROM SUBSIDIARIES (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION)

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
	<hr/>	<hr/>
<i>By geographical area:</i>		
Hong Kong	34.1	31.4
Other Asia	16.2	13.2
Europe	7.7	1.1
The Americas	9.2	3.8
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Underlying EBITDA from subsidiaries	67.2	49.5
Non-trading items		
- Write-off of tangible assets ( <i>note 7</i> )	(20.3)	-
- Insurance claim for material damage of tangible assets ( <i>note 7</i> )	20.3	-
	<hr/>	<hr/>
	-	-
EBITDA from subsidiaries	67.2	49.5
Less: depreciation and amortisation	(31.9)	(27.0)
	<hr/>	<hr/>
Operating profit	35.3	22.5
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## 4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA US\$m	Depreciation and amortisation US\$m	Operating profit/ (loss) US\$m	Net financing charges US\$m	Tax US\$m	Net profit/ (loss) US\$m
<b>Six months ended</b>						
<b>30th June 2018</b>						
<i>By geographical area:</i>						
Other Asia	<b>12.3</b>	<b>(4.4)</b>	<b>7.9</b>	<b>(0.6)</b>	<b>(1.5)</b>	<b>5.8</b>
Europe	<b>(1.5)</b>	<b>(2.1)</b>	<b>(3.6)</b>	-	-	<b>(3.6)</b>
The Americas	<b>1.6</b>	<b>(1.4)</b>	<b>0.2</b>	<b>(1.1)</b>	-	<b>(0.9)</b>
	<b>12.4</b>	<b>(7.9)</b>	<b>4.5</b>	<b>(1.7)</b>	<b>(1.5)</b>	<b>1.3</b>
<b>Six months ended</b>						
<b>30th June 2017</b>						
<i>By geographical area:</i>						
Other Asia	10.2	(4.2)	6.0	(0.7)	(1.1)	4.2
Europe	0.9	(0.4)	0.5	-	-	0.5
The Americas	0.9	(1.5)	(0.6)	(1.1)	-	(1.7)
	12.0	(6.1)	5.9	(1.8)	(1.1)	3.0

## 5. TAX

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Tax (charged)/credited to profit and loss is analysed as follows:		
Current tax	<b>(8.5)</b>	(5.9)
Deferred tax	<b>0.1</b>	1.2
	<b>(8.4)</b>	<b>(4.7)</b>
<i>By geographical area:</i>		
Hong Kong	<b>(5.7)</b>	(4.0)
Other Asia	<b>(1.1)</b>	(0.1)
Europe	<b>(1.5)</b>	(0.6)
The Americas	<b>(0.1)</b>	-
	<b>(8.4)</b>	<b>(4.7)</b>

Tax charge relating to cash flow hedges of US\$0.3 million (2017: tax credit of US\$0.1 million) is included in other comprehensive income or expense.

Tax on profits has been calculated at rates of taxation prevailing in the territories in which the Group operates.

Share of tax of associates and joint ventures of US\$1.5 million (2017: US\$1.1 million) is included in share of results of associates and joint ventures (*note 4*).

## 6. EARNINGS PER SHARE

Basic earnings per share are calculated on the profit attributable to shareholders of US\$22.3 million (2017: US\$15.0 million) and on the weighted average number of 1,259.9 million (2017: 1,257.2 million) shares in issue during the period.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$22.3 million (2017: US\$15.0 million) and on the weighted average number of 1,263.2 million (2017: 1,261.0 million) shares after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the period.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2018	2017
Weighted average number of shares for basic earnings per share calculation	<b>1,259.9</b>	1,257.2
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	<b>3.3</b>	3.8
Weighted average number of shares for diluted earnings per share calculation	<b><u>1,263.2</u></b>	<u>1,261.0</u>

Additional basic and diluted earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	Six months ended 30th June					
	2018			2017		
	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢	US\$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	<b>22.3</b>	<b>1.77</b>	<b>1.77</b>	15.0	1.19	1.19
Non-trading items (note 7)	<u>-</u>			<u>-</u>		
Underlying profit attributable to shareholders	<b><u>22.3</u></b>	<b>1.77</b>	<b>1.77</b>	<b><u>15.0</u></b>	1.19	1.19

## 7. NON-TRADING ITEMS

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of equity investments which are fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

Following the fire at Mandarin Oriental Hyde Park, London on 6th June 2018, the hotel has closed for the necessary repairs in order to restore the asset. The impact of the fire is being assessed by insurers, however, given the extent of the coverage under the Group's insurance arrangements, the impact on the Group's profitability is expected to be modest.

Based on the initial assessment by the Group, the estimated write-off of tangible assets and estimated insurance claim receivable for material damage of tangible assets caused by the fire recognised as non-trading items during the period are analysed as follows:

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Write-off of tangible assets (estimated at £15 million)	(20.3)	-
Insurance claim for material damage of tangible assets	20.3	-
	-	-

On 18th July 2018, the insurers made an advance interim payment of £20 million (US\$27 million) to the Group in respect of the cover available under the insurance policies.

The process of repairs is now underway and it is anticipated that the hotel will be able to partially reopen in the fourth quarter of this year.

## 8. DIVIDENDS

	Six months ended 30th June	
	2018	2017
	US\$m	US\$m
Final dividend in respect of 2017 of US¢1.50 (2016: US¢2.50) per share	18.9	31.4

An interim dividend in respect of 2018 of US¢1.50 (2017: US¢1.50) per share amounting to a total of US\$18.9 million (2017: US\$18.9 million) has been declared by the Board and will be accounted for as an appropriation of revenue reserves in the second half of the year ending 31st December 2018.



## 9. CAPITAL COMMITMENTS

Total capital commitments at 30th June 2018 and 31st December 2017 amounted to US\$221.9 million and US\$254.3 million respectively.

## 10. FINANCIAL INSTRUMENTS

## Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 30th June 2018 and 31st December 2017 are as follows:

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
<b>30th June 2018</b>						
<i>Financial assets measured at fair value</i>						
Other investments						
- equity investments	-	11.1	-	-	11.1	11.1
Derivative financial instruments	1.9	-	-	-	1.9	1.9
	<b>1.9</b>	<b>11.1</b>	<b>-</b>	<b>-</b>	<b>13.0</b>	<b>13.0</b>
<i>Financial assets not measured at fair value</i>						
Debtors	-	-	80.0	-	80.0	80.0
Bank and cash balances	-	-	204.4	-	204.4	204.4
	<b>-</b>	<b>-</b>	<b>284.4</b>	<b>-</b>	<b>284.4</b>	<b>284.4</b>
<i>Financial liabilities not measured at fair value</i>						
Borrowings	-	-	-	(529.6)	(529.6)	(529.6)
Trade and other payable excluding non-financial liabilities	-	-	-	(133.5)	(133.5)	(133.5)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>(663.1)</b>	<b>(663.1)</b>	<b>(663.1)</b>

10. FINANCIAL INSTRUMENTS (*CONTINUED*)Financial instruments by category (*continued*)

	Fair value of hedging instruments US\$m	Fair value through profit and loss US\$m	Financial assets at amortised cost US\$m	Other financial liabilities US\$m	Total carrying amount US\$m	Fair value US\$m
31st December 2017						
<i>Financial assets</i>						
<i>measured at fair value</i>						
Other investments						
- equity investments	-	11.0	-	-	11.0	11.0
Derivative financial instruments	0.5	-	-	-	0.5	0.5
	<u>0.5</u>	<u>11.0</u>	<u>-</u>	<u>-</u>	<u>11.5</u>	<u>11.5</u>
<i>Financial assets not</i>						
<i>measured at fair value</i>						
Debtors	-	-	65.5	-	65.5	65.5
Bank and cash balances	-	-	183.9	-	183.9	183.9
	<u>-</u>	<u>-</u>	<u>249.4</u>	<u>-</u>	<u>249.4</u>	<u>249.4</u>
<i>Financial assets not</i>						
<i>measured at fair value</i>						
Derivative financial instruments	(0.2)	-	-	-	(0.2)	(0.2)
<i>Financial liabilities not</i>						
<i>measured at fair value</i>						
Borrowings	-	-	-	(510.7)	(510.7)	(510.7)
Trade and other payable excluding non-financial liabilities	-	-	-	(146.3)	(146.3)	(146.3)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(657.0)</u>	<u>(657.0)</u>	<u>(657.0)</u>

## Fair value estimation

## (i) Financial instruments that are measured at fair value

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

(a) *Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')*

The fair values of derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and caps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

The fair values of unlisted investments mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

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10. FINANCIAL INSTRUMENTS (*CONTINUED*)Fair value estimation (*continued*)(i) Financial instruments that are measured at fair value (*continued*)(b) *Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')*

The fair values of other unlisted investments are determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries), or the market prices of the underlying investments with certain degree of entity specific estimates, or determined with reference to the underlying cash flow from investments, discounted using a risk-adjusted discount rate.

There were no changes in valuation techniques during the six months ended 30th June 2018 and the year ended 31st December 2017.

The table below analyses financial instruments carried at fair value at 30th June 2018 and 31st December 2017, by the levels in the fair value measurement hierarchy:

	Observable market current transactions US\$m	Unobservable inputs US\$m	Total US\$m
	_____	_____	_____
<b>30th June 2018</b>			
<i>Assets</i>			
Other investments			
- equity investments	1.7	9.4	11.1
Derivative financial instruments at fair value			
- through other comprehensive income	1.9	-	1.9
	<u>3.6</u>	<u>9.4</u>	<u>13.0</u>
31st December 2017			
<i>Assets</i>			
Other investments			
- equity investments	1.7	9.3	11.0
Derivative financial instruments at fair value			
- through other comprehensive income	0.5	-	0.5
	<u>2.2</u>	<u>9.3</u>	<u>11.5</u>
<i>Liabilities</i>			
Derivative financial instruments at fair value			
- through other comprehensive income	(0.2)	-	(0.2)
	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>

There were no transfers among the two categories during the six months ended 30th June 2018 and the year ended 31st December 2017.

10. FINANCIAL INSTRUMENTS (*CONTINUED*)Fair value estimation (*continued*)(i) Financial instruments that are measured at fair value (*continued*)

Movement of financial instruments which are valued based on unobservable inputs during the six months ended 30th June 2018 and the year ended 31st December 2017 are as follows:

	Unlisted equity investments US\$m
At 1st January 2018	<u>9.3</u>
Additions	<u>0.1</u>
At 30th June 2018	<u>9.4</u>
At 1st January 2017	8.6
Additions	<u>0.7</u>
At 31st December 2017	<u>9.3</u>

(ii) Financial instruments that are not measured at fair value

The fair values of current debtors, bank and cash balances, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates.

## 11. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group undertakes a variety of transactions with certain of its associates and joint ventures.

The most significant of such transactions are management fees of US\$7.3 million (2017: US\$6.2 million) received from the Group's six (2017: six) associate and joint venture hotels which are based on long-term management agreements on normal commercial terms.

There were no other related party transactions that might be considered to have a material effect on the financial position or performance of the Group that were entered into or changed during the first six months of the current financial year.

Amounts of outstanding balances with associates and joint ventures are included in debtors and prepayments, as appropriate.

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**Mandarin Oriental International Limited**  
**Principal Risks and Uncertainties**

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The Board has overall responsibility for risk management and internal control. The following have been identified previously as the areas of principal risk and uncertainty facing the Company, and they remain relevant in the second half of the year.

- Economic and Financial Risk
- Commercial and Market Risk
- Pandemic, Terrorism and Natural Disasters
- Key Agreements
- Reputational Risk and Value of the Brand
- Regulatory and Political Risk

For greater detail, please refer to pages 95 and 96 of the Company's 2017 Annual Report, a copy of which is available on the Company's website [www.mandarinoriental.com](http://www.mandarinoriental.com).

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**Responsibility Statement**

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The Directors of the Company confirm to the best of their knowledge that:

- (a) the condensed financial statements have been prepared in accordance with IAS 34; and
- (b) the interim management report includes a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

James Riley  
Stuart Dickie

*Directors*

*The interim dividend of US¢1.50 per share will be payable on 10th October 2018 to shareholders on the register of members at the close of business on 17th August 2018. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 15th and 16th August 2018, respectively. The share registers will be closed from 20th to 24th August 2018, inclusive.*

*Shareholders will receive their cash dividends in United States Dollars, unless they are registered on the Jersey branch register, in which case they will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2018 interim dividend by notifying the United Kingdom transfer agent in writing by 21st September 2018. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 26th September 2018.*

*Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in Sterling only as calculated above. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive their cash dividends in United States Dollars unless they elect, through CDP, to receive Singapore Dollars.*

*Shareholders on the Singapore branch register who wish to deposit their shares into the CDP system by the dividend record date, being 17th August 2018, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, by no later than 5.00 p.m. (local time) on 16th August 2018.*

## **Mandarin Oriental Hotel Group**

Mandarin Oriental Hotel Group is an international hotel investment and management group with deluxe and first class hotels, resorts and residences in sought-after destinations around the world. Having grown from its Asian roots into a global brand, the Group now operates 31 hotels and eight residences in 21 countries and territories, with each property reflecting the Group's oriental heritage and unique sense of place. Mandarin Oriental has a strong pipeline of hotels and residences under development. The Group has equity interests in a number of its properties and adjusted net assets worth approximately US\$5.7 billion as at 30th June 2018.

Mandarin Oriental's aim is to be recognised as the world's best luxury hotel group. This will be achieved by investing in the Group's exceptional facilities and its people, and seeking selective opportunities for expansion around the world, while maximising profitability and long-term shareholder value. The Group regularly receives recognition and awards for outstanding service and quality management. The Group is committed to exceeding its guests' expectations through exceptional levels of hospitality, while maintaining its position as an innovative leader in the hotel industry.

The parent company, Mandarin Oriental International Limited, is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. Mandarin Oriental Hotel Group International Limited, which operates from Hong Kong, manages the activities of the Group's hotels. Mandarin Oriental is a member of the Jardine Matheson Group.

For further information, please contact:

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As permitted by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the United Kingdom, the Company will not be posting a printed version of the Half-Yearly Results announcement to shareholders. The Half-Yearly Results announcement will remain available on the Company's website, [www.mandarinoriental.com](http://www.mandarinoriental.com), together with other Group announcements.