news release

Mandarin Oriental International Limited

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MANDARIN ORIENTAL
THE HOTEL GROUP

To: Business Editor

8th March 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
2017 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

- Underlying profit slightly lower due to renovation of London property
- Strategic review of The Excelsior, Hong Kong ongoing
- Nine new management contracts signed
- Restoration of Hotel Ritz, Madrid commenced

"In 2018, profit will be impacted by the final stages of the renovation of Mandarin Oriental Hyde Park, London as well as the commencement of the renovation of Hotel Ritz, Madrid. In the longer term, however, Mandarin Oriental will benefit from these investments as well as the strength of its brand and the opening of new hotels under development."

Ben Keswick
Chairman

Results

	Year ended 31st December		
	2017	2016	Change
	US$m	US$m	%
Combined total revenue of hotels under management(1)	**1,380.4**	1,323.7	+4
Underlying EBITDA (Earnings before interest, tax, depreciation and amortization)(2)	**157.9**	158.2	-
Underlying profit attributable to shareholders(3)	**54.9**	57.3	–4
Profit attributable to shareholders	**54.9**	55.2	–1
	US¢	US¢	%
Underlying earnings per share(3)	**4.37**	4.56	–4
Earnings per share	**4.37**	4.40	–1
Dividends per share	**3.00**	4.00	–25
	US$	US$	%
Net asset value per share	**1.01**	0.93	+9
Adjusted net asset value per share(4)	**4.57**	3.10	+47
Net debt/shareholders' funds	**26%**	25%	
Net debt/adjusted shareholders' funds(4)	**6%**	8%	

(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 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) The adjusted net asset value per share and net debt/adjusted shareholders' funds have been adjusted to include the market value of the Group's freehold and leasehold interests which are carried in the consolidated balance sheet at amortized cost.

The final dividend of US¢1.50 per share will be payable on 16th May 2018, subject to approval at the Annual General Meeting to be held on 9th May 2018, to shareholders on the register of members at the close of business on 23rd March 2018.

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MANDARIN ORIENTAL INTERNATIONAL LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

OVERVIEW

Underlying profit was slightly lower than the prior year primarily due to the impact of the renovation of the London property. The combined results of the Group's other hotels improved in 2017.

The Group is continuing to review strategic options for The Excelsior, Hong Kong, including the possible redevelopment of the site into a commercial building.

PERFORMANCE

Underlying earnings before interest, tax, depreciation and amortization were in line with the prior year at US$158 million, despite the adverse impact of the London renovation. Underlying profit declined from US$57 million in 2016 to US$55 million in 2017. Underlying earnings per share were US¢4.37 compared with US¢4.56 in 2016. With no non-trading items during the year, profit attributable to shareholders was also US$55 million, unchanged from 2016.

Following an independent valuation of the Group's owned properties, the net asset value per share was US$4.57 at 31st December 2017, compared with US$3.10 per share at the end of 2016. This increase mainly reflects the higher valuation of The Excelsior, Hong Kong.

In light of the ongoing programme of renovations, the Directors recommend a reduced final dividend of US¢1.50 per share. This, together with the interim dividend of US¢1.50 per share, will make a total annual dividend of US¢3.00 per share, compared to US¢4.00 per share in 2016.

At 31st December 2017, the Group's net debt was US$327 million, compared to US$297 million at the end of 2016. Gearing as a percentage of adjusted shareholders' funds at 31st December 2017, after taking into account the market value of the Group's property interests, was 6% compared to 8% at the end of 2016.

GROUP REVIEW

Despite a generally improved performance across the portfolio, notably in Hong Kong, underlying profit was slightly lower, mainly due to the impact of the renovation in London.

The renovation of Mandarin Oriental Hyde Park, London remains on schedule. The first phase was completed in September 2017, and the second phase is expected to complete in the second quarter of 2018.

Hotel Ritz, Madrid closed at the end of February 2018 to commence a €99 million restoration, of which the Group will fund its half share. The renovation will be extensive, covering all guestrooms and public areas, and will include the restoration of many interior architectural features. The hotel is expected to reopen towards the end of 2019.

STRATEGIC REVIEW OF THE EXCELSIOR, HONG KONG

In June 2017, the Group announced that consideration was being given to its strategic options for The Excelsior, Hong Kong. A subsequent review of market interest in a potential sale did not give rise to any acceptable offers. The Group is still considering all options for the site, including possible redevelopment as a commercial property, although no decision has yet been made.

NEW DEVELOPMENTS

Seven new management contracts were signed and announced in 2017. Mandarin Oriental hotels, each with branded residences, are scheduled to open in Dubai and Honolulu in 2020, in a second location in London in 2021 and in Melbourne in 2022. A new hotel project in Beijing, which will feature 72 guestrooms located in a traditional hutong quarter, is expected to open in 2019. The Group also took over the management of two existing hotels during the year, in Santiago, Chile and on Canouan in Saint Vincent and the Grenadines. In time both will be rebranded as Mandarin Oriental properties.

In the first two months of 2018, the Group announced two further projects. In Barcelona, it will brand and manage 34 *Residences*, in an existing property close to Mandarin Oriental, Barcelona, opening in 2020. In Viña del Mar, a coastal resort in Chile, the Group will manage a 195-room hotel, also due to open in 2020.

In the next 12 months, the Group expects to open its first hotels in the Middle East, in Doha and Jumeirah Beach, Dubai, as well as Mandarin Oriental Wangfujing in Beijing.

PEOPLE

On behalf of the Directors, I would like to acknowledge the contribution of all colleagues throughout the Group for continuing to facilitate the exceptional experiences we provide to our guests.

Dr Richard Lee and Lord Powell will step down from the Board at the forthcoming Annual General Meeting and will not seek re-election. We would like to thank them for their contributions to the Company. We are very pleased that Jack Chen, a senior executive of Taikang Insurance Group, Inc., has been invited to join the Board with effect from 9th May 2018.

OUTLOOK

In 2018, profit will be impacted by the final stages of the renovation of Mandarin Oriental Hyde Park, London as well as the commencement of the renovation of Hotel Ritz, Madrid. In the longer term, however, Mandarin Oriental will benefit from these investments as well as the strength of its brand and the opening of new hotels under development.

Ben Keswick
Chairman

GROUP CHIEF EXECUTIVE'S REVIEW

2017 has been a busy year and a considerable amount has been achieved. The Group's hotels generally performed well with Revenue Per Available Room ('RevPAR') increasing by 5% in US dollar terms on a like-for-like basis[1]. Underlying EBITDA[2] also held firm despite the adverse impact from the renovation of our London property. Progress on this renovation, alongside receiving approval from the city authorities for the restoration of Hotel Ritz in Madrid, have been highlights. The Group also embarked on a strategic review of The Excelsior hotel in Hong Kong, which is continuing. Moreover, seven new development properties were announced during the year.

The demand for luxury travel continues to grow strongly, which is encouraging. However, the luxury hotel landscape is evolving at a rapid pace, as global high net worth travellers increasingly look for unique experiences, while competition becomes more intense and diverse. New players are emerging in various forms, whether that be additional luxury brand operators producing new offerings, or disruptors seeking to enter the luxury hospitality space with alternative accommodation facilities. Technology is also increasingly playing its part in the variety of services and facilities on offer to guests and in the way in which brands engage and interact with their customers.

STRATEGY

Against this volatile background, Mandarin Oriental's vision – to be recognized as the world's best luxury hotel group – keeps us focused on what we do best and positions the Group for growth within the evolving market environment. Having grown from our Asian roots into a global brand, we currently operate 31 hotels and eight residences in 21 countries and territories. The Group holds equity interests in many of its hotels and also manages hotels on behalf of third party owners. As the Group expands, its management business is likely to account for an increasing proportion of the Mandarin Oriental portfolio.

Nonetheless, owned assets remain at the heart of the Group's portfolio and if we are to sustain our market position it is crucial that we invest appropriately in these owned properties.

[1] The like-for-like comparison includes all hotels that were operational for the entire year of both 2016 and 2017. As Mandarin Oriental Hyde Park, London was only partially closed as a result of the renovation during the period, the hotel is included in the like-for-like comparison. All references to RevPAR are in US dollar terms, unless stated otherwise.
[2] The Group uses earnings before interest, tax, depreciation and amortization ('EBITDA') to analyze operating performance.

Mandarin Oriental's strong balance sheet makes it well placed to do this, while providing the means to consider selective investment opportunities in strategic destinations that have long-term asset growth potential.

Historically, the Group has been highly dependent upon corporate business with many of its properties being located at the heart of business districts. However, leisure travel is an increasingly important segment for us and we must adapt to offer a broader range of luxury leisure experiences, as well as business ones. At the same time, we will need to build further our reputation as an operator of resort properties.

An increasingly significant component of the luxury hospitality business today is the branding and managing of residential developments. The majority of the Group's recently announced developments incorporate a residential component.

The Group remains focused on ensuring that its hotels are positioned amongst the leaders in their individual markets. We continue to invest in the core brand attributes of exceptional design and architecture, restaurant and bar concepts, spa and wellness facilities, all of which are underpinned by intuitive personalized service. We stay alert to new trends and opportunities, ensuring the brand remains relevant to today's multi-generational audience. Recent new concepts include the opening of *The Aviary NYC* at Mandarin Oriental, New York and *PDT Hong Kong* at The Landmark Mandarin Oriental.

The Group's global recognition continues to be reflected in numerous awards from respected associations, and in 2018, Group restaurant outlets were awarded 21 *Michelin* stars across the portfolio, more than any other hotel brand in the world.

2017 PERFORMANCE

Underlying EBITDA of US$158 million were in line with the prior year, despite the disruption of the London renovation throughout 2017. Underlying profit was US$55 million in 2017, compared to US$57 million in 2016.

In **Asia**, RevPAR was up 8% overall in 2017 on a like-for-like basis as demand trends improved generally across the region. Several properties delivered double-digit RevPAR growth and an improved performance from the Group's wholly-owned Hong Kong hotels was particularly notable.

Mandarin Oriental, Hong Kong achieved a 6% increase in RevPAR over the previous year. The hotel experienced improved leisure demand, while corporate demand was broadly stable, which helped the hotel to maintain its overall competitive position in the market. Its wide range of restaurants and bars attracted more hotel guests and the local community, with food and beverage revenues up 5% over the previous year.

The Excelsior, Hong Kong also benefited from improved city-wide demand, with increased occupancy leading to a 7% uplift in RevPAR. The Group continues to review a variety of strategic options for the site, including possible redevelopment as a commercial property, and a further announcement will be made once a decision is reached.

Mandarin Oriental, Bangkok benefited from improved visitor arrivals to the city in 2017, which led to an increase in RevPAR of 8% in local currency terms, or 14% in US dollar terms, as a result of a stronger baht. The 2016 renovation of the Garden Wing was also a positive factor in the property's overall performance.

Mandarin Oriental, Jakarta had another difficult year with RevPAR down 16%. Increased competition, together with very weak corporate demand, put pressure on average rates and occupancy levels.

In **Europe**, while the renovation of the London property negatively impacted the Group's overall results, improved performances across the rest of the region led to a RevPAR increase of 4% on a like-for-like basis.

Mandarin Oriental Hyde Park, London's performance was affected by the phased renovation and by ongoing security concerns in the city. Consequently, RevPAR was down 37%. The first phase of the renovation was completed in September 2017, and the new Knightsbridge wing rooms have been well received. The second phase, involving the Hyde Park wing, is now underway. When complete in the second quarter of 2018, the hotel will be in a strong position to reassert its claim to be the leader in luxury hospitality in the city.

Mandarin Oriental, Munich and Mandarin Oriental, Geneva delivered strong performances, with RevPAR up 12% and 10% respectively. Both hotels reinforced their market-leading positions in their individual markets.

Hotel Ritz, Madrid closed at the end of February 2018 for the start of a long-awaited restoration, which will involve the careful renovation of the hotel's many fine interior architectural features and the significant upgrade of its facilities and services, while maintaining its unique character. The hotel is expected to reopen in late 2019.

In **The Americas**, overall trading conditions were broadly in line with the prior year with RevPAR for the region up 1% on a like-for-like basis. Notably, Mandarin Oriental, Washington D.C. benefited from the Presidential Inauguration and stronger city-wide demand, which led to RevPAR growth of 19%. Mandarin Oriental, New York had a weaker year in 2017 with RevPAR down 6%, primarily due to lower leisure demand, although the hotel was able to maintain its competitive position in the market.

DEVELOPMENT

Currently, the Group has 15 hotels and nine residences under development which are likely to become operational within five years. All are management contracts with no equity participation, but as I stated earlier, consideration will continue to be given to investing in properties on an exceptional basis where they are felt to be strategic to our long-term positioning. The Group is focused on building its portfolio in major global city centre locations where the brand is currently absent, developing a strong resort portfolio and reinforcing the Group's position in existing markets by expanding its presence with new properties.

Additional resources have been added to the Group's development effort with a view to building a stronger pipeline of new openings over the coming years. While the Group has achieved a global reach, its strong reputation belies the modest size of its current hotel portfolio. This gives us a large and wide-ranging number of possible locations in which new properties can be considered. During the course of 2017, this was exemplified by the announcement of seven new management contracts as follows:

A new 125-room hotel and 107 branded residences in Honolulu on the Hawaiian island of Oahu, and a second property in Dubai, comprising 259 rooms and 158 branded residences. Both projects are scheduled to open in 2020.

A new 197-room hotel and 146 branded residences in Melbourne, Australia, due to open in 2022, will mark the Group's first entry into Australia.

A second, luxury hotel project in Beijing comprising 72 rooms located within the Qianmen East Hutong Quarter, close to Tiananmen Square. The hotel, which is due to open in 2019, will provide guests with a rare opportunity to experience luxury living in traditional and authentic Beijing surroundings.

A second London property on Hanover Square in the heart of London's Mayfair district, with 50 rooms and 80 branded residences. Mandarin Oriental Mayfair is expected to open in 2021.

Also during the year, the Group took over the management of two operating hotels. One is located in the city centre of Santiago, Chile, and the other is a luxury resort on Canouan in Saint Vincent and the Grenadines. Both projects will be rebranded as Mandarin Oriental properties in due course, thereby introducing the brand to two new important markets.

Since the start of 2018, the Group has announced a new management agreement for a 195-room beach front resort in Viña del Mar in Chile. Most recently, the Group announced an agreement to brand and manage 34 *Residences by Mandarin Oriental*, close to Mandarin Oriental, Barcelona. Both projects are due to open in 2020.

In the next 12 months, the Group expects to open its first hotels in the Middle East, in Doha and Dubai, as well as Mandarin Oriental Wangfujing in Beijing.

STRUCTURE

To date the Group has been organized in geographic segments with senior executives holding management responsibility for Asia, Europe and The Americas. With effect from 1st January 2018 a Chief Operating Officer has been appointed with all operating hotels reporting to him either directly or indirectly. This will help to ensure that consistent operating standards are maintained across our global portfolio as we grow. A Chief Relationship Officer has also been appointed to manage many of the Group's key owner relationships as well as to oversee the development of new properties in the period prior to their ramp up for opening by an operating team.

CULTURE

At the heart of Mandarin Oriental's reputation as a luxury hotel group is its culture, derived from its oriental heritage and an unwavering focus on exceptional service that delivers personal experiences and moments of delight. I would like to personally thank our 12,000 colleagues for their dedication, commitment and loyalty in providing this exemplary service and to ensuring the smooth operation of our properties around the world. Sustaining and building upon the strong culture and professionalism of our colleagues is key to our present and future success. As we grow, so too does the challenge of sustaining this culture and point of differentiation, but I am confident that our colleagues will continue to rise to the task.

OUTLOOK

In 2018, the Group will focus on building its development pipeline in both existing and new markets. At the same time, the continued investment behind our core attributes as well as new, innovative concepts and services will ensure that the Mandarin Oriental brand remains relevant to today's multi-generational audience. Earnings will be held back by the final months of the renovation of Mandarin Oriental Hyde Park, London as well as the commencement of the restoration of Hotel Ritz, Madrid. Looking forward however, the Group's results will benefit from enhanced contributions from these renovated flagship properties and from the growing pipeline of new hotels and residences as they open.

James Riley
Group Chief Executive

Mandarin Oriental International Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2017

	2017 Underlying business performance **US$m**	**2017** Non-trading items **US$m**	**2017** Total **US$m**	2016 Underlying business performance US$m	2016 Non-trading items US$m	2016 Total US$m
Revenue *(note 2)*	**610.8**	**-**	**610.8**	597.4	-	597.4
Cost of sales	**(389.7)**	**-**	**(389.7)**	(383.4)	-	(383.4)
Gross profit	**221.1**	**-**	**221.1**	214.0	-	214.0
Selling and distribution costs	**(38.2)**	**-**	**(38.2)**	(39.7)	-	(39.7)
Administration expenses	**(113.9)**	**-**	**(113.9)**	(104.5)	(1.8)	(106.3)
Operating profit *(note 3)*	**69.0**	**-**	**69.0**	69.8	(1.8)	68.0
Financing charges	**(12.3)**	**-**	**(12.3)**	(12.1)	-	(12.1)
Interest income	**1.3**	**-**	**1.3**	1.3	-	1.3
Net financing charges	**(11.0)**	**-**	**(11.0)**	(10.8)	-	(10.8)
Share of results of associates and joint ventures *(note 4)*	**11.5**	**-**	**11.5**	11.2	(0.3)	10.9
Profit before tax	**69.5**	**-**	**69.5**	70.2	(2.1)	68.1
Tax *(note 5)*	**(15.0)**	**-**	**(15.0)**	(13.7)	-	(13.7)
Profit after tax	**54.5**	**-**	**54.5**	56.5	(2.1)	54.4
Attributable to:						
Shareholders of the Company	**54.9**	**-**	**54.9**	57.3	(2.1)	55.2
Non-controlling interests	**(0.4)**	**-**	**(0.4)**	(0.8)	-	(0.8)
	54.5	**-**	**54.5**	56.5	(2.1)	54.4

	US¢		**US¢**	US¢		US¢
Earnings per share *(note 6)*						
- basic	**4.37**		**4.37**	4.56		4.40
- diluted	**4.35**		**4.35**	4.54		4.38

Mandarin Oriental International Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st December 2017

	2017 US$m	2016 US$m
Profit for the year	**54.5**	54.4
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	**7.7**	(3.1)
Tax on items that will not be reclassified	**(1.2)**	0.5
	6.5	(2.6)
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net gains/(losses) arising during the year	**87.1**	(56.1)
Cash flow hedges		
- net gains arising during the year	**0.8**	2.5
Tax relating to items that may be reclassified	**(0.2)**	(0.4)
Share of other comprehensive income/(expense) of associates and joint ventures	**8.4**	(1.7)
	96.1	(55.7)
Other comprehensive income/(expense) for the year, net of tax	**102.6**	(58.3)
Total comprehensive income/(expense) for the year	**157.1**	(3.9)
Attributable to:		
Shareholders of the Company	**157.3**	(3.0)
Non-controlling interests	**(0.2)**	(0.9)
	157.1	(3.9)

Mandarin Oriental International Limited
Consolidated Balance Sheet
at 31st December 2017

	2017 US$m	2016 US$m
Net assets		
Intangible assets	**47.7**	44.3
Tangible assets *(note 8)*	**1,453.2**	1,352.1
Associates and joint ventures	**196.6**	163.8
Other investments	**11.0**	10.7
Deferred tax assets	**11.0**	2.6
Pension assets	**4.9**	-
Other non-current debtors	**0.5**	-
Non-current assets	**1,724.9**	1,573.5
Stocks	**6.4**	5.9
Debtors and prepayments	**100.2**	94.2
Current tax assets	**4.0**	5.2
Bank and cash balances	**183.9**	182.6
Current assets	**294.5**	287.9
Creditors and accruals	**(151.4)**	(140.1)
Current borrowings *(note 9)*	**(2.6)**	(2.5)
Current tax liabilities	**(17.8)**	(8.7)
Current liabilities	**(171.8)**	(151.3)
Net current assets	**122.7**	136.6
Long-term borrowings *(note 9)*	**(508.1)**	(477.4)
Deferred tax liabilities	**(58.6)**	(56.1)
Pension liabilities	**(0.6)**	(3.2)
Other non-current liabilities	**(0.2)**	-
	1,280.1	1,173.4
Total equity		
Share capital	**62.9**	62.8
Share premium	**493.9**	490.4
Revenue and other reserves	**717.2**	616.2
Shareholders' funds	**1,274.0**	1,169.4
Non-controlling interests	**6.1**	4.0
	1,280.1	1,173.4

Mandarin Oriental International Limited
Consolidated Statement of Changes in Equity
for the year ended 31st December 2017

	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**
2017									
At 1st January	**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	**62.9**	**493.9**	**265.9**	**526.5**	**0.1**	**(75.3)**	**1,274.0**	**6.1**	**1,280.1**
2016									
At 1st January	62.8	490.3	284.5	504.7	(2.7)	(112.9)	1,226.7	5.0	1,231.7
Total comprehensive income	-	-	-	52.6	2.1	(57.7)	(3.0)	(0.9)	(3.9)
Dividends paid by the Company	-	-	-	(56.5)	-	-	(56.5)	-	(56.5)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(0.1)	(0.1)
Share-based long-term incentive plans	-	-	2.2	-	-	-	2.2	-	2.2
Transfer	-	0.1	(0.5)	0.4	-	-	-	-	-
At 31st December	62.8	490.4	286.2	501.2	(0.6)	(170.6)	1,169.4	4.0	1,173.4

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$54.9 million (2016: US$55.2 million) and net actuarial gain on employee defined benefit plans of US$6.4 million (2016: net actuarial loss of US$2.6 million). There was no fair value loss on other investments in 2017 (2016: nil).

Change in interest in a subsidiary includes 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 during the year.

Mandarin Oriental International Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2017

	2017 US$m	2016 US$m
Operating activities		
Operating profit *(note 3)*	**69.0**	68.0
Depreciation	**56.7**	57.7
Amortization of intangible assets	**2.1**	2.1
Other non-cash items	**0.2**	2.7
Movements in working capital	**9.6**	(3.8)
Interest received	**1.3**	1.3
Interest and other financing charges paid	**(12.3)**	(10.4)
Tax paid	**(13.3)**	(19.0)
	113.3	98.6
Dividends and interest from associates and joint ventures	**6.6**	9.1
Cash flows from operating activities	**119.9**	107.7
Investing activities		
Purchase of tangible assets	**(82.6)**	(77.0)
Purchase of intangible assets	**(5.7)**	(2.7)
Payment on Munich expansion *(note 11)*	**(3.1)**	-
Acquisition of Mandarin Oriental, Boston *(note 12)*	**-**	(140.0)
Purchase of other investments	**(0.9)**	(1.3)
Advance to associates and joint ventures	**(11.4)**	(2.8)
Repayment of loans to associates and joint ventures	**1.3**	0.9
Sale of tangible assets	**-**	0.1
Sale of other investments	**0.4**	-
Cash flows from investing activities	**(102.0)**	(222.8)
Financing activities		
Issue of shares	**0.6**	-
Drawdown of borrowings	**30.8**	51.5
Repayment of borrowings	**(2.5)**	(1.6)
Dividends paid by the Company *(note 13)*	**(50.3)**	(56.5)
Dividends paid to non-controlling interests	**-**	(0.1)
Cash flows from financing activities	**(21.4)**	(6.7)
Net decrease in cash and cash equivalents	**(3.5)**	(121.8)
Cash and cash equivalents at 1st January	**182.5**	308.6
Effect of exchange rate changes	**4.9**	(4.3)
Cash and cash equivalents at 31st December	**183.9**	182.5

Mandarin Oriental International Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the preliminary results for the year ended 31st December 2017 which have been prepared in conformity with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board.

There are no new standards or amendments, which are effective in 2017 and relevant to the Group's operations, that have a material impact on the Group's accounting policies and disclosures.

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

2. REVENUE

	2017 US$m	2016 US$m
By geographical area:		
Hong Kong	**235.8**	224.5
Other Asia	**107.9**	106.4
Europe	**163.8**	177.8
The Americas	**103.3**	88.7
	610.8	597.4

3. EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION) AND OPERATING PROFIT FROM SUBSIDIARIES

	2017 US$m	2016 US$m
By geographical area:		
Hong Kong	**74.0**	69.3
Other Asia	**29.6**	29.2
Europe	**17.0**	25.2
The Americas	**7.2**	5.9
Underlying EBITDA from subsidiaries	**127.8**	129.6
Non-trading items		
- acquisition-related costs *(note 7)*	**-**	(1.8)
EBITDA from subsidiaries	**127.8**	127.8
Less: depreciation and amortization	**(58.8)**	(59.8)
Operating profit	**69.0**	68.0

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	EBITDA **US$m**	Depreciation and amortization **US$m**	Operating profit **US$m**	Net financing charges **US$m**	Tax **US$m**	Net profit/ (loss) **US$m**
2017						
By geographical area:						
Other Asia	**23.5**	**(8.3)**	**15.2**	**(1.4)**	**(2.3)**	**11.5**
Europe	**2.7**	**(0.8)**	**1.9**	**-**	**(0.1)**	**1.8**
The Americas	**3.9**	**(3.0)**	**0.9**	**(2.4)**	**(0.3)**	**(1.8)**
	30.1	**(12.1)**	**18.0**	**(3.8)**	**(2.7)**	**11.5**
2016						
By geographical area:						
Other Asia	20.9	(7.8)	13.1	(1.5)	(2.3)	9.3
Europe	1.8	(0.7)	1.1	-	-	1.1
The Americas	5.9	(3.0)	2.9	(2.2)	0.1	0.8
	28.6	(11.5)	17.1	(3.7)	(2.2)	11.2
Non-trading items						
- provision for litigation *(note 7)*	(0.3)	-	(0.3)	-	-	(0.3)
	28.3	(11.5)	16.8	(3.7)	(2.2)	10.9

5. TAX

	2017 US$m	2016 US$m
Tax (charged)/credited to profit and loss is analyzed as follows:		
Current tax	**(23.6)**	(14.9)
Deferred tax	**8.6**	1.2
	(15.0)	(13.7)
By geographical area:		
Hong Kong	**(10.3)**	(8.8)
Other Asia	**3.9**	(3.5)
Europe	**(7.2)**	(0.9)
The Americas	**(1.4)**	(0.5)
	(15.0)	(13.7)

Tax relating to components of other comprehensive income is analyzed as follows:

Remeasurements of defined benefit plans	**(1.2)**	0.5
Cash flow hedges	**(0.2)**	(0.4)
	(1.4)	0.1

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$2.7 million (2016: US$2.2 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 profit attributable to shareholders of US$54.9 million (2016: US$55.2 million) and on the weighted average number of 1,257.7 million (2016: 1,255.9 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$54.9 million (2016: US$55.2 million) and on the weighted average number of 1,262.0 million (2016: 1,261.5 million) shares in issue 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 year.

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

	Ordinary shares in millions	
	2017	2016
Weighted average number of shares for basic earnings per share calculation	**1,257.7**	1,255.9
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**4.3**	5.6
Weighted average number of shares for diluted earnings per share calculation	**1,262.0**	1,261.5

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:

	2017			2016		
	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	**54.9**	**4.37**	**4.35**	55.2	4.40	4.38
Non-trading items *(note 7)*	**-**			2.1		
Underlying profit attributable to shareholders	**54.9**	**4.37**	**4.35**	57.3	4.56	4.54

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 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; provisions against asset impairment and writebacks; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

An analysis of non-trading items after interest, tax and non-controlling interests is set out below:

	2017 US$m	2016 US$m
Acquisition-related costs		
- administration expenses	**-**	1.8
Provision for litigation		
- share of results of associates and joint ventures	**-**	0.3
	-	2.1

8. TANGIBLE ASSETS

	2017 US$m	2016 US$m
Opening net book value	**1,352.1**	1,255.0
Exchange differences	**75.2**	(61.5)
Additions	**82.5**	216.9
Disposals	**(0.1)**	(0.6)
Transfer from intangible assets	**0.2**	-
Depreciation charge	**(56.7)**	(57.7)
Closing net book value	**1,453.2**	1,352.1

Freehold properties include a property of US$108.5 million (2016: US$111.6 million), which is stated net of tax increment financing of US$21.3 million (2016: US$22.2 million) *(note 10)*.

9. BORROWINGS

	2017 US$m	2016 US$m
Bank overdrafts	**-**	0.1
Bank loans	**506.5**	473.9
Other borrowings	**4.2**	4.2
Tax increment financing *(note 10)*	**-**	1.7
	510.7	479.9
Current	**2.6**	2.5
Long-term	**508.1**	477.4
	510.7	479.9

10. TAX INCREMENT FINANCING

	2017 US$m	2016 US$m
Netted off against the net book value of property *(note 8)*	**21.3**	22.2
Loan *(note 9)*	**-**	1.7
	21.3	23.9

A development agreement was entered into between one of the Group's subsidiaries and the District of Columbia ('District'), pursuant to which the District agreed to provide certain funds to the subsidiary out of the net proceeds obtained through the issuance and sale of certain tax increment financing bonds ('TIF Bonds') for the development and construction of Mandarin Oriental, Washington D.C.

The District agreed to contribute to the subsidiary US$33.0 million through the issuance of TIF Bonds in addition to US$1.7 million issued in the form of a loan, bearing simple interest at an annual rate of 6.0% which was repaid on maturity on 10th April 2017.

The receipt of the TIF Bonds has been treated as a government grant and netted off against the net book value in respect of the property *(note 8)*.

11. PAYMENT ON MUNICH EXPANSION

The Group paid a further US$3.1 million instalment in respect of the land purchase price and related cost for the expansion of Mandarin Oriental, Munich in 2017 (2016: nil). Cumulative costs paid by the Group amounted to US$20.0 million (2016: US$16.9 million), the majority of which have been included within Other Debtors pending transfer of title in the underlying land.

12. ACQUISITION OF MANDARIN ORIENTAL, BOSTON

In April 2016, the Group completed its US$140.0 million acquisition of Mandarin Oriental, Boston, a hotel that the Group has managed since its opening in 2008. The consideration of US$140.0 million represented the fair values of the tangible assets acquired at the acquisition date. There was no goodwill arising on acquisition.

13. DIVIDENDS

	2017 US$m	2016 US$m
Final dividend in respect of 2016 of US¢2.50 (2015: US¢3.00) per share	**31.4**	37.7
Interim dividend in respect of 2017 of US¢1.50 (2016: US¢1.50) per share	**18.9**	18.8
	50.3	56.5

A final dividend in respect of 2017 of US¢1.50 (2016: US¢2.50) per share amounting to a total of US$18.9 million (2016: US$31.4 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2018 Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2018.

14. CAPITAL COMMITMENTS

At 31st December 2017, total capital commitments of the Group amounted to US$254.3 million (2016: US$270.9 million).

15. 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$13.6 million (2016: US$13.2 million) received from the Group’s six (2016: 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 current financial year.

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

Mandarin Oriental International Limited
Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk will be set out in more detail in the Corporate Governance section of the Company's 2017 Annual Report (the 'Report'). The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

1. Economic and Financial Risk

   The Group's business is exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact on the Group's investment partners, third-party hotel owners and developers, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs. Such developments may increase operating costs, reduce revenues, lower asset values or result in the Group being unable to meet in full its strategic objectives. These developments could also adversely affect travel patterns which would impact demand for the Group's products and services.

   The steps taken by the Group to manage its exposure to financial risk will be set out in the Financial Risk Management section in the Financial Statements in the Report.

2. Commercial and Market Risk

   Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks.

   The Group operates within the global hotel industry which is highly competitive. Failure to compete effectively in terms of quality of product, levels of service or price can have an adverse effect on earnings. This may also include failure to adapt to rapidly evolving customer preferences and expectations. Significant competitive pressure or the oversupply of hotel rooms in a specific market can lead to reduced margins. Advances in technology creating new or disruptive competitive pressures might also negatively affect the trading environment.

   The Group competes with other luxury hotel operators for new opportunities in the areas of hotel management, residences management and residences branding. Failure to establish and maintain relationships with hotel owners or developers could adversely affect the Group's business. The Group also makes investment decisions in respect of acquiring new hotel properties and undertaking major renovations at hotels in which it has an ownership interest. The success of these investments is measured over the longer term and as a result is subject to market risk.

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2. Commercial and Market Risk *(continued)*

   Mandarin Oriental's continued growth depends on the opening of new hotels and branded residences. Most of the Group's new developments are controlled by third-party owners and developers and can be subject to delays due to issues attributable to planning and construction, sourcing of finance, and the sale of residential units. In extreme circumstances, such factors might lead to the cancellation of a project.

3. Pandemic, Terrorism and Natural Disasters

   The Group's business would be impacted by a global or regional pandemic as this would impact travel patterns, demand for the Group's products and services and could also affect the Group's ability to operate effectively. The Group's hotels are also vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism. In addition, a number of the territories in which the Group operates can experience from time to time natural disasters such as typhoons, floods, earthquakes and tsunamis.

4. Key Agreements

   The Group's business is reliant upon joint venture and partnership agreements, property leasehold arrangements, management, license, branding and services agreements or other key contracts. Cancellation, expiry or termination, or the renegotiation of any of these key agreements and contracts, could have an adverse effect on the financial performance of individual hotels as well as the wider Group.

5. Reputational Risk and Value of the Brand

   The Group's brand equity and global reputation is fundamental in supporting its ability to offer premium products and services and to achieving acceptable revenues and profit margins. Any damage to the Group's brand equity or reputation, including as a result of negative effects relating to health and safety, acts or omissions by Group personnel, information system breaches, and any allegations of socially irresponsible policies and practices, might adversely impact the attractiveness of the Group's properties or the loyalty of the Group's guests.

6. Regulatory and Political Risk

   The Group's business is subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as employment legislation, tax rules, foreign ownership of assets, planning controls and exchange controls have the potential to impact the operations and profitability of the Group's business. Changes in the political environment, including prolonged civil unrest, could also affect the Group's business.

Mandarin Oriental International Limited
Responsibility Statement

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

a) the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

b) the sections of the Company's 2017 Annual Report, including the Chairman's Statement, Group Chief Executive's Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

James Riley
Stuart Dickie

Directors

The final dividend of US¢1.50 per share will be payable on 16th May 2018, subject to approval at the Annual General Meeting to be held on 9th May 2018, to shareholders on the register of members at the close of business on 23rd March 2018. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 21st and 22nd March 2018, respectively. The share registers will be closed from 26th to 30th March 2018, inclusive.

Shareholders will receive their cash dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2017 final dividend by notifying the United Kingdom transfer agent in writing by 27th April 2018. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 2nd May 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 23rd March 2018, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, no later than 5.00 p.m. (local time) on 22nd March 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 31st December 2017.

Mandarin Oriental's aim is to be recognized as the world's best luxury hotel group. This will be achieved by investing in the Group's exceptional facilities and its people, while maximizing 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 strategy of the Group is to open the hotels currently under development, while continuing to seek further selective opportunities for expansion around the world.

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.

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2017 can be accessed through the internet at 'www.mandarinoriental.com'.