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Belmond Ltd.  
Form 10-K  
February 28, 2019  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K  
(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

OR  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-16017

BELMOND LTD.

(Exact name of registrant as specified in its charter)

Bermuda

98-0223493

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

22 Victoria Street,  
Hamilton HM 12, Bermuda

(Address of principal executive offices)

Registrant's telephone number, including area code: (441) 295-2244

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
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Class A Common Shares, \$0.01 par value each	New York Stock Exchange
----------------------------------------------	-------------------------

Preferred Share Purchase Rights	New York Stock Exchange
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SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (Not applicable. See third paragraph under Item 1—Business.)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated

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filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Act. (Check one):

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company) Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the class A common shares held by non-affiliates of the registrant computed by reference to the closing price on June 30, 2018 (the last business day of the registrant's second fiscal quarter in 2018) was approximately \$1,121,000,000.

As of February 15, 2019, 103,081,652 class A common shares and 18,044,478 class B common shares of the registrant were outstanding. All of the class B shares are owned by a subsidiary of the registrant (see Note 19(c) to the Financial Statements (Item 8)).

DOCUMENTS INCORPORATED BY REFERENCE: None

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Table of Contents

	Page
<u>PART I</u>	
<u>Item 1</u> <u>Business</u>	<u>4</u>
<u>Item 1A</u> <u>Risk Factors</u>	<u>18</u>
<u>Item 1B</u> <u>Unresolved Staff Comments</u>	<u>31</u>
<u>Item 2</u> <u>Properties</u>	<u>31</u>
<u>Item 3</u> <u>Legal Proceedings</u>	<u>31</u>
<u>Item 4</u> <u>Mine Safety Disclosures</u>	<u>35</u>
<u>PART II</u>	
<u>Item 5</u> <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>36</u>
<u>Item 6</u> <u>Selected Financial Data</u>	<u>36</u>
<u>Item 7</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 7A</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
<u>Item 8</u> <u>Financial Statements and Supplementary Data</u>	<u>69</u>
<u>Item 9</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>135</u>
<u>Item 9A</u> <u>Controls and Procedures</u>	<u>135</u>
<u>Item 9B</u> <u>Other Information</u>	<u>138</u>
<u>PART III</u>	
<u>Item 10</u> <u>Directors, Executive Officers and Corporate Governance</u>	<u>139</u>
<u>Item 11</u> <u>Executive Compensation</u>	<u>143</u>
<u>Item 12</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>147</u>
<u>Item 13</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>152</u>
<u>Item 14</u> <u>Principal Accounting Fees and Services</u>	<u>153</u>
<u>PART IV</u>	
<u>Item 15</u> <u>Exhibits and Financial Statement Schedules</u>	<u>154</u>
<u>Signatures</u>	<u>158</u>
<u>Exhibit Index</u>	<u>155</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements that constitute "Forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements are any statements other than of historical fact, including statements regarding the intent, belief or current expectations of Belmond Ltd. and/or any of its directors or officers with respect to the matters discussed in this Annual Report. In some cases, forward-looking statements can be identified by the use of words such as "may," "potential," "anticipate," "target," "expect," "estimate," "intend," "should," "plan," "goal," "believe," or other words of similar meaning. Such forward-looking statements appear in several places in this Annual Report, including but not limited to Item 1—Business, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 7A—Quantitative and Qualitative Disclosures about Market Risk.

All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements.

Actual results could differ materially from those anticipated in the forward-looking statements due to a number of factors, including but not limited to those described in Item 1A—Risk Factors.

Investors are cautioned not to place undue reliance on any forward-looking statements made in this Annual Report which are based on currently available operational, financial, and competitive information and as such, are not guarantees of future performance. Instead, these forward-looking statements reflect management's opinion, expectation or belief only as of the date on which they are made. Except as otherwise required by law, Belmond Ltd. undertakes no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Investors are advised to consult any future disclosures the Company makes on related subjects as may be detailed in its other filings from time to time with the Securities and Exchange Commission.

Table of Contents

3

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## Table of Contents

### PART I

#### ITEM 1. Business

Belmond Ltd. is incorporated in the Islands of Bermuda and is a “foreign private issuer” as defined in Rule 3b-4 promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the U.S. Securities Exchange Act of 1934 (the “1934 Act”) and in Rule 405 under the U.S. Securities Act of 1933. As a result, it is eligible to file its annual reports pursuant to Section 13 of the 1934 Act on Form 20-F (in lieu of Form 10-K) and to file its interim reports on Form 6-K (in lieu of Forms 10-Q and 8-K). However, the Company has elected to file its annual and interim reports on Forms 10-K, 10-Q and 8-K, including any instructions therein that relate specifically to foreign private issuers. The class A common shares of the Company are listed on the New York Stock Exchange (“NYSE”).

The terms "Belmond," the "Company," "we," and "our" are used in this report to refer to Belmond Ltd. and Belmond Ltd. and its subsidiaries, unless otherwise stated.

These reports and any amendments are available free of charge on the internet website of the Company as soon as reasonably practicable after they are filed electronically with the SEC. The Company's principal internet website address is belmond.com. They may also be found on the SEC's website at [www.sec.gov](http://www.sec.gov). Unless specifically noted, information on the Belmond website is not incorporated by reference into this Form 10-K annual report.

Pursuant to Rule 3a12-3 under the 1934 Act regarding foreign private issuers, the proxy solicitations of the Company are not subject to the disclosure and procedural requirements of Regulation 14A under the 1934 Act, and transactions in the Company's equity securities by its officers, directors and significant shareholders are exempt from the reporting and liability provisions of Section 16 of the 1934 Act.

#### Introduction

#### Overview

Belmond is a leading luxury hotel company and sophisticated adventure travel operator with exposure to both mature and emerging national economies. The Company's predecessor began acquiring hotels in 1976 and organized the Company in 1994. Belmond currently owns, partially-owns and/or operates 46 properties (including the Belmond Cadogan Hotel in London, England, which opened on February 28, 2019), consisting of 36 highly individual deluxe hotels, one stand-alone restaurant, seven tourist trains and two river/canal cruise businesses. This portfolio includes one long-term leased hotel in Bali, Indonesia where the owner dispossessed Belmond from operation of the hotel in November 2013 (see Item 3—Legal Proceedings). The locations of Belmond's 46 properties operating in 24 countries are shown in the map on the preceding page. Belmond acquires, leases and/or manages only distinctive properties in areas of outstanding cultural, historic or recreational interest in order to provide luxury lifestyle experiences for the discerning traveler.

Revenue, earnings and identifiable assets of Belmond in 2018, 2017 and 2016 for Belmond's business segments and geographic areas are presented in Note 25 to the Financial Statements (Item 8). Belmond's operating segments are aggregated into six reportable segments, namely owned hotels in each of Europe, North America and Rest of World, owned trains and cruises, part-owned/managed hotels, and part-owned/managed trains.

Hotels represent the largest part of Belmond's business, contributing 86% of revenue in 2018, 86% of revenue in 2017 and 87% in 2016. Trains and cruises accounted for 14% of revenue in 2018, 13% of revenue in 2017 and 13% in 2016. Approximately 87% of Belmond's customer revenue in 2018 was from leisure travelers, with approximately 43% originating from North America, 37% from Europe and the remaining 20% from elsewhere in the world.

Belmond's worldwide portfolio of hotels currently in operation consists of 3,183 individual guest rooms and multiple-room suites, each known as a "key." Hotels owned by Belmond in 2018 achieved an average daily room rate ("ADR") of \$534 (2017 - \$510; 2016 - \$490) and a revenue per available room ("RevPAR") of \$326 (2017 - \$309; 2016 - \$298).

#### Recent Developments – Sale to LVMH

On December 14, 2018, the Company announced that it had entered into an Agreement and Plan of Merger dated December 13, 2018 (the "Merger Agreement") with LVMH Moët Hennessy—Louis Vuitton SE ("LVMH"), Palladio Overseas Holding Limited, an indirect, wholly-owned subsidiary of LVMH ("Holding"), and Fenice Ltd., a wholly-owned subsidiary of Holding ("Merger

## Table of Contents

Sub"), pursuant to which LVMH will acquire the Company. Under the Merger Agreement, the sale to LVMH will be effected by way of a merger of Merger Sub with and into the Company, with the Company being the surviving company in the merger and becoming a subsidiary of Holding.

The completion of the merger, which is expected to occur in the first half of 2019, is subject to the satisfaction or waiver of certain conditions, including the receipt of antitrust approvals in certain foreign jurisdictions and the absence of any law or governmental order prohibiting the merger. The Company held a special general meeting of its shareholders on February 14, 2019 at which time Belmond's shareholders approved the Merger Agreement and the merger. At the effective time of the merger, each issued and outstanding class A common share, par value \$0.01 per share, of the Company, other than class A common shares that are held by the Company in treasury or that are owned by LVMH, Holding or Merger Sub or by any other direct or indirect subsidiary of LVMH or the Company, will be converted automatically and without any action by the holder of the class A common shares into the right to receive \$25.00 per share in cash, without interest (and less any applicable withholding taxes). If the merger is completed, the Company will cease to be a publicly traded company and will become a subsidiary of Holding and an indirect subsidiary of LVMH. For further information on the risks relating to the sale of the Company, see Part 1—Item 1A—Risk Factors—Risks Related to the Sale of the Company. Additional information about the sale, the Merger Agreement and the merger, including circumstances under which the Merger Agreement can be terminated, as well as other terms and conditions, are set forth in the Company's Current Report on Form 8-K filed with the SEC on December 14, 2018.

## Recent History

On February 23, 2014, the Company (formerly known as Orient-Express Hotels Ltd.) announced that its board of directors had approved a proposal to operate the Company's portfolio of luxury hotels and travel experiences under a new brand name—"Belmond"—from March 10, 2014, and to change its principal internet website address to belmond.com. Belmond has retained its long-term license agreement with SNCF, the French transportation company that owns the "Orient-Express" trademark, for the Venice Simplon-Orient-Express train. With the decision to introduce the "Belmond" brand, Belmond also entered into an agreement with SNCF to terminate (with effect from December 31, 2014) the "Orient-Express" license for hotel use, without any cost or penalty. At the 2014 Annual General Meeting of Shareholders, shareholders approved a change in Belmond's corporate name from Orient-Express Hotels Ltd. to Belmond Ltd. in order to align Belmond's corporate identity with that of its primary luxury brand. On July 28, 2014, Belmond changed the ticker symbol of its class A common shares listed on the New York Stock Exchange from OEH to BEL.

On March 21, 2014, Belmond entered into a \$657,000,000 senior secured credit facility, consisting of a \$552,000,000 seven-year term loan and a \$105,000,000 five-year, dual-currency revolving credit facility. The term loan comprised a \$345,000,000 U.S. dollar-denominated tranche and a €150,000,000 euro-denominated tranche (\$207,000,000 as of the completion date). Belmond used the proceeds from the term loan to refinance substantially all of the funded debt of Belmond (other than the debt of Belmond Charleston Place, a consolidated variable interest entity with separate non-recourse financing). On June 2, 2015, Belmond entered into an amendment to its senior secured credit facility to reduce the interest rate on the euro-denominated tranche to EURIBOR plus a 3.00% margin from EURIBOR plus a 3.00% margin. The Company amended and restated its senior secured credit facility on July 3, 2017 to increase the term loan, extend the maturity dates on the revolving credit facility and the term loan to July 3, 2022 and July 3, 2024, respectively, and decrease the interest rates imposed on borrowings. The amended and restated credit agreement consists of a \$603,434,000 seven-year term loan and a \$100,000,000 five-year, multi-currency revolving credit facility. The term loan consists of a \$400,000,000 U.S. dollar-denominated tranche and a €179,000,000 million euro-denominated tranche (\$203,434,000 as of the completion date). See Note 12 to the Financial Statements.

In August 2014, Charleston Center LLC entered into an \$86,000,000 loan secured on its real and personal property. This loan had no amortization and is non-recourse to Belmond. This loan had an August 2019 maturity and an interest



rate of LIBOR plus 2.12% per annum. In June 2016, Charleston Center LLC refinanced this loan with a \$112,000,000 new loan with the same August 2019 maturity. The interest rate on the new loan is LIBOR plus 2.35% per annum, has no amortization and is non-recourse to Belmond. The additional proceeds were used to repay a 1984 development loan from a municipal agency in the principal amount of \$10,000,000 and accrued interest of \$16,819,000. In connection with the early repayment of the loan, Belmond negotiated a discount that resulted in a net gain, reported in the statements of consolidated operations during the year ended December 31, 2016, of \$1,200,000 upon the extinguishment of the debt, including the payment of a tax indemnity to our partners in respect of their allocation of income from the discount arising on the cancellation of indebtedness. See Note 12 to the Financial Statements.

On July 8, 2014, Belmond announced the execution of a management agreement with Cadogan Hotel Partners Limited to operate Belmond Cadogan Hotel, a 64-key hotel in the Knightsbridge area of London, England. The 127-year old hotel closed at the end of July 2014 to undergo a \$48,000,000 investment project. The fully renovated and re-conceptualized Belmond Cadogan Hotel opened on February 28, 2019 with refurbished public areas and the reconfiguration reduced to 54 keys in order to accommodate demand from luxury travelers for larger junior suites and suites.

## Table of Contents

On August 30, 2016, the Company commenced operations of Belmond Grand Hibernian, the first overnight luxury rail experience of its kind in Ireland. The luxury sleeper train accommodates up to 40 guests in 20 en-suite cabins. Belmond Grand Hibernian builds on the Company's expertise in operating a stable of the world's most famous trains, including Belmond Royal Scotsman, currently the U.K.'s only luxury touring sleeper train, and the legendary Venice Simplon-Orient-Express and Hiram Bingham in Peru.

On April 7, 2017, the Company and its joint venture partner acquired Las Casitas, a 20-key resort located in Colca Canyon in southern Peru. It is located on a 24 hectare site with 20 luxury individual bungalows. A soft goods renovation was completed in 2017, during which time the property remained open.

On May 4, 2017, PeruRail commenced operations of Belmond Andean Explorer, a luxury sleeper train running through the Peruvian Highlands from Cusco to Lake Titicaca and Arequipa, accommodating up to 70 passengers. It consists of 21 carriages, which Belmond owned and operated in Australia through 2003 and sold to PeruRail in 2016. The train was shipped from Australia to Peru and underwent renovations to its interiors to a luxury standard.

On May 26, 2017, the Company acquired Cap Juluca, a 96-key luxury resort on the Caribbean Island of Anguilla, British West Indies. At the same time, the Company also entered into a 125-year ground lease with the Government of Anguilla for property that comprises approximately 167 acres, including approximately 250,000 square feet of additional developable beachfront land. See Note 5 to the Financial Statements. The resort underwent reconstruction and renovations following its acquisition and the impact of Hurricanes Irma and Jose in September 2017 and opened in December 2018. See Note 9 to the Financial Statements.

On February 8, 2018, the Company acquired Castello di Casole resort and estate, which comprise the 39-key Castello di Casole hotel, together with high-quality vineyards and olive groves, extensive wooded Tuscan countryside, and 48 residential plots, of which 15 remain unsold, with one subject to a binding sale contract, and one subject to a non-binding reservation letter of intent to purchase. It is expected that two of the remaining 13 residential plots will be converted into new villas as part of the hotel inventory. See Note 5 to the Financial Statements.

In recent years, Belmond has sold to third parties a number of properties not considered core to Belmond's portfolio of unique, high-valued properties. On November 2, 2017, Belmond sold its interest in the entity which wholly owned Belmond Northern Belle, a passenger day train operating in Northern Ireland. On November 6, 2017, the entity that leased Belmond Orcaella provided notice of termination to the owner in respect of its charter agreement, which resulted in a dispute that the parties resolved under a settlement agreement dated January 22, 2019. The owner of Inn at Perry Cabin notified the Company on April 27, 2017 that it was exercising its special right to any early termination of the management agreement under which Belmond was managing the hotel effective as of the end of 2018.

### Owned Hotels—Europe

#### Italy

Belmond Hotel Cipriani—96 keys—in Venice was built for the most part in the 1950s and is located on about five acres (part on long-term lease) on Giudecca Island across from the Piazza San Marco which is accessible by a free private boat service. Most of the rooms have views overlooking the Venetian lagoon. Features include fine cuisine in three indoor and outdoor restaurants -- one of which gained a Michelin star, the Oro Restaurant -- gardens and terraces encompassing an Olympic-sized swimming pool, a tennis court, a spa and fitness center, and a large banquet and meeting facility situated in an historic refurbished warehouse. In 2016, 15 rooms in the Palazzo Vendramin and Palazzetto were refurbished. In 2017, the library was refurbished and converted into a new junior suite, along with the

refurbishment of three existing keys, the addition of four cabanas in the pool area, and the creation of a casual trattoria restaurant, the Giudecca 10 within the existing breakfast room. During the 2017/2018 closure, the Cip's Club restaurant was renovated and the Oro Restaurant Terrace refurbished.

Belmond Hotel Splendido and Belmond Splendido Mare—86 keys—overlook picturesque Portofino harbor on the Italian Riviera. Set on four acres, the main hotel was built in 1901 and is surrounded by gardens and terraces which include a swimming pool, spa and tennis court. There are two restaurants each with open-air dining as well as banquet/meeting rooms, and a shuttle service linking the main hotel with the smaller Belmond Splendido Mare on the harbor below. In 2016, ten suites and guest rooms were refurbished at Belmond Hotel Splendido and a further ten guest rooms were refurbished in 2017. Also in 2017, the facade of Belmond Hotel Splendido was restored and balconies added to 12 guest rooms. During the 2017/2018 closure, ten guest rooms were refurbished and the Ginepro meeting room was converted into two suites and one junior suite. During the 2018/2019 closure,

## Table of Contents

a mock-up room will be constructed for Belmond Splendido Mare and the hotel expects to refurbish the remaining rooms during the 2019/2020 closure.

Belmond Villa San Michele—45 keys—is located in Fiesole, a short distance from Florence. Originally built as a monastery in the 15th century with a façade attributed to Michelangelo, it has stunning views over historic Florence and the Arno River Valley. Belmond has remodeled and expanded the guest accommodation to luxury standards in recent years including the addition of a swimming pool. A shuttle service is provided into the UNESCO World Heritage listed center of Florence. The property occupies ten acres. In 2016, the property created a new function facility to cater to the popular wedding and celebrations market. In 2017, four keys were refurbished, one key was added by converting the Kid's Club into a guest room, a new outdoor bar within the Italian garden was added, and the ground floor public areas were refurbished.

Belmond Hotel Caruso—52 keys—in Ravello is located on three hill-top acres overlooking the Amalfi coast near Naples and ancient Roman and Greek archeological sites such as Pompeii and Paestum. The Amalfi coast, the city of Naples and the archeological sites have been designated UNESCO World Heritage sites. Once a nobleman's palace, parts of the building date to the 11th century. Operated as a hotel for many years, Belmond rebuilt the property after acquiring it and reopened it in 2005. Amenities include two restaurants, a swimming pool, spa and extensive gardens. In 2017, 15 keys were refurbished and one junior suite was added in an underused public area. During the 2017/2018 closure, a junior suite was added, along with a new hair salon. In addition, a staff dining room was relocated to allow for the addition of a new spa and fitness center. The adjacent Villa Margarita was purchased in 2017 and was converted into two villas.

Belmond Grand Hotel Timeo—71 keys—in Taormina, Sicily was purchased in January 2010 and renovated during winter closure periods since then. With panoramic views of Mount Etna (a UNESCO World Heritage site) and the Gulf of Naxos from its main terrace, this hotel is widely considered the most luxurious hotel in Taormina and is situated in the city center next to the second century Greek Theater. Built in 1873 on a total site of about ten acres, the hotel features a restaurant serving regional specialties, a spa and fitness center, swimming pool, and separate banqueting and conference facilities, all surrounded by six acres of parkland. In 2017, 25 keys were renovated in the main hotel building and the public areas of Villa Flora were renovated.

Belmond Villa Sant'Andrea—72 keys—was purchased and renovated at the same time as Belmond Grand Hotel Timeo. Built in 1830 on Taormina's Bay of Mazzarò with its own beach, the hotel has the atmosphere of a private villa set in lush gardens, a total site of about two acres, with many of the guest rooms and the hotel's seafood restaurant and swimming pool looking onto the Calabrian coast. Belmond completed construction in May 2014 of six poolside suites. During the 2015/16 winter closure, four new units were built (three junior suites and one double room) in a prime location on the pool side of the property with stunning views of the Bay. In 2017, 26 keys were refurbished and improvements were made to the outdoor restaurant and bar. During the 2017/2018 closure, the existing banquet room was converted into three junior suites with the added flexibility to use one of the suites as a meeting room, an additional five keys were refurbished, and a new outdoor lightweight structure was added for banqueting. During the current off-season closure, two suites are being refurbished and balconies are expected to be added to six keys. Belmond Grand Hotel Timeo and Belmond Villa Sant'Andrea are linked by a shuttle service so that guests may enjoy the facilities at both hotels.

Castello di Casole—39 keys—is located within easy access of both Florence and Sienna. A historic castle dating from the 10th century, the resort and estate span 1,500 hectares and comprise the Castello di Casole hotel, together with high-quality vineyards and olive groves, extensive wooded Tuscan countryside, and 48 residential plots, of which 15 remain unsold, with one subject to a binding sale contract, and one subject to a non-binding reservation letter of intent to purchase. It is expected that two of the remaining 13 residential plots will be converted into new villas as part of the hotel inventory.

All of these Italian properties operate seasonally, closing for varying periods during the winter.

#### Spain

Belmond La Residencia—72 keys including a separate villa—is located in the charming village of Deià on the rugged northwest coast of the island of Mallorca with panoramic views of the Tramuntana Mountains, a UNESCO World Heritage site. The core of Belmond La Residencia was originally created from two adjoining 16th and 17th century country houses set on an owned hillside site of 30 acres. The hotel features two restaurants, including the gastronomic El Olivo, meeting rooms for up to 100 guests, two large swimming pools, tennis courts and a spa and fitness center with an indoor pool. In 2015, the property refurbished 12 junior suites and created a new bar. During the 2015/16 winter closure, the property commenced the first phase of the construction of six new suites and the units were added to the hotel inventory in the spring of 2017. During the 2017/2018 closure, 15 rooms were renovated to create 12 guest rooms and one designer suite.

#### Portugal

## Table of Contents

Belmond Reid's Palace—158 keys—is a famous hotel on the island of Madeira, situated on ten acres of semitropical gardens on a cliff top above the sea and the bay of Funchal, the main port city. Opened in 1891, the hotel has five seasonal restaurants and banquet/meeting facilities. Leisure and sports amenities include fresh and sea water swimming pools, a third tide-filled pool, tennis courts, ocean water sports, a spa and fitness center and access to two championship golf courses. It has year-round appeal, serving both winter escapes to the sun and regular summer holidays. In 2017, renovations were completed in the main building with the relocation of the reception and main entrance, the breakfast room was converted into meeting rooms, and the Pool Restaurant and Bar were renovated.

### United Kingdom

Belmond Le Manoir aux Quat'Saisons—32 keys—is located in a picturesque village in Oxfordshire, England about an hour's drive west of London. The main part of the hotel is a 16th century manor house set in 27 acres of gardens. Each suite has an entirely individual design. The property was developed by Raymond Blanc, one of Britain's most famous chef-patrons, and the hotel's restaurant has two stars in the Michelin Guide. Mr. Blanc has a six-year commitment that commenced January 2015 to remain the chef-patron at the hotel. The hotel recently expanded its event and meeting space to increase its appeal to social and corporate groups. In 2016, the La Bourgogne private dining room was renovated.

Belmond Cadogan —54 keys—is a 127-year old hotel located in the heart of London on Sloane Street. The Belmond Cadogan opened February 28, 2019 and reflects a thorough renovation that brings contemporary classic design to this historic collection of buildings. The scope of the renovation includes the complete refurbishment of all public areas and the reconfiguration of 64 keys to 54 to create larger junior suites and suites. Built in 1887 in the Queen Anne style, the hotel has played an integral role in the social history of the Kensington and Chelsea areas. Belmond operates the hotel under a third-party hotel management agreement.

### Russia

Belmond Grand Hotel Europe—266 keys—in St. Petersburg was originally built in 1875. The hotel occupies one side of an entire city block on the fashionable Nevsky Prospect in the UNESCO World heritage listed heart of the city near the Russian Museum, Philharmonic Society, Mikhailovsky Theater and other tourist and cultural attractions as well as the commercial center. There are three restaurants on the premises, as well as a grand ballroom, meeting facilities, a spa and fitness center, and several retail shops. Luxury historic suites reflect the rich history of the hotel and city, named after famous guests like Pavarotti, Stravinsky and the Romanov tsars. The City of St. Petersburg owns a 6.46% minority interest in the hotel building and it and the Company jointly hold the ground lease which expires in 2054. Recent improvements include six ultra-luxury suites that opened in July 2014, a new concept restaurant by a top designer, and improved meeting and banqueting rooms. In 2016, the property commenced renovations to its famous Krysha ballroom, which were completed in 2017. In 2017, renovation work commenced on the replacement of seven elevators with a planned completion at the end of 2019, along with the refurbishment of 114 guest rooms including upgrades to the heating, ventilation, and air conditioning systems.

### Owned Hotels—North America

#### United States

Belmond Charleston Place—434 keys—is located in the heart of historic Charleston, South Carolina, a popular destination for tourists and business meetings. Opened in 1986, the hotel has two restaurants, extensive banqueting and conference space including a grand ballroom, a spa, fitness center and rooftop swimming pool, and a shopping arcade of 22 retail outlets leased by third parties. The hotel also owns the adjacent historic Riviera Theater remodeled as

additional conference space and retail shops. In December 2015, the property completed a three-year phased refurbishment of all of its guest rooms. In 2016, the property refurbished a retail outlet space, converting it into an upscale sports bar with direct access to Market Street, a busy main street in Charleston. Other upgrades in 2016 included the addition of an outdoor Roof Terrace & Bar, the renovation and expansion of the Thoroughbred Bar increasing capacity by 40%, and the completion of the renovation of the ballroom and conference facilities. In 2017, the reception and spa were renovated and in December 2017, the property commenced the renovation of the Charleston Grill which was completed in 2018.

While Belmond has a 19.9% equity interest in Belmond Charleston Place, Belmond manages the property under an exclusive long-term contract and has a number of outstanding loans to the hotel. On evaluating its various interests in the hotel, Belmond has concluded that it is the primary beneficiary of this variable interest entity and, accordingly, consolidates the assets and liabilities of the hotel in Belmond's balance sheets and consolidates the hotel's results in Belmond's statements of operations, comprehensive income and cash flows. See Note 7 to the Financial Statements.

## Table of Contents

Belmond El Encanto—92 keys—in Santa Barbara, California is located in the hills above the city center, with views over the Pacific Ocean. Dating from 1913, it sits in seven-acre landscaped gardens with heritage features and mature trees. Guest rooms are in authentic, California Rivera-style bungalows spread throughout the grounds. Belmond reopened the resort in 2013 following extensive renovation and it now includes an acclaimed restaurant, infinity-edge swimming pool, a destination spa and fitness center. Belmond El Encanto is Santa Barbara's only Forbes Five Star hotel.

'21' Club is Belmond's stand-alone restaurant, a famous landmark at 21 West 52nd Street in midtown Manhattan near the Broadway theater district and many top tourist attractions. Originally a speakeasy during Prohibition in the 1920s, this restaurant is open to the public, occupies three brownstone buildings and features fine American cuisine. It serves à la carte meals in the original bar restaurant and a separate dining room upstairs, and also has ten banqueting rooms used for receptions and events, including the famous secret wine cellar. Belmond added Bar '21' on the restaurant's ground floor lobby and reconfigured and expanded two event spaces on the first floor for private receptions. During 2018, the entire property was renovated during its closure due to flooding in January 2018. See Note 9 to the Financial Statements.

### Caribbean

Belmond Cap Juluca—108 keys—is located on the island of Anguilla in the British West Indies. It is set amid 179 acres of stunning tropical landscape and inland waterways overlooking the nearby St. Maarten mountains. Belmond Cap Juluca is an exclusive luxury hotel built in Greco-Moorish style on a white sandy beach. The Company acquired the property in May 2017 and also entered into a 125-year ground lease for property that comprises approximately 167 acres, including approximately 250,000 square feet of additional developable land. The property underwent a full renovation following its acquisition and the impact of Hurricanes Irma and Jose in September 2017, with the renovations including the addition of 20 new keys and two new-build casitas, a new spa and fitness center, outdoor pool, beach bar, meeting space and the renovation of two existing restaurants and bar. The property opened in December 2018. See Notes 5 and 9 to the financial statements.

Belmond La Samanna—91 keys including eight villas—is located on the island of St. Martin in the French West Indies. Built in 1973, the hotel consists of several buildings on 16 acres of owned land along a 4,000-foot beach. Amenities include two restaurants, two swimming pools, a spa, tennis courts, fitness and conference centers, boating and ocean water sports, and extensive gardens. The hotel is open most of the year, seasonally closing during the autumn months. The eight luxury villas located on part of the 35 acres of owned vacant land adjoining Belmond La Samanna provide additional villa-suite room stock for the hotel. The remaining land is available for future expansion. The hotel suffered damage from Hurricanes Irma and Jose in September 2017 during the hotel's annual closure. The renovation of ten keys had commenced and remedial works were also underway for a cliff stabilization project. The cliff stabilization project has been completed and the Company completed a substantial reconstruction and renovation program in 2017 and 2018 which had been conditioned on a significant restructuring of the cost structure of the hotel. The hotel reopened in December 2018. See Note 9 to the financial statements.

### Mexico

Belmond Maroma Resort and Spa—63 keys—is on Mexico's Riviera Maya on the Caribbean coast of the Yucatan Peninsula, about 30 miles south of Cancun. The resort opened in 1995 and is set in 25 owned acres of verdant jungle along a 1,000-foot beach. The Cozumel barrier reef is offshore where guests may fish, snorkel and scuba-dive. Important Mayan archeological sites are nearby. Rooms are arranged in low-rise villas and there are three restaurants, three swimming pools, tennis courts and spacious spa facilities. The hotel purchased a beach concession on an adjacent piece of land in 2016. Belmond also owns a 28-acre tract adjacent to Belmond Maroma Resort and Spa for hotel expansion or construction of other improvements.



Belmond Casa de Sierra Nevada—37 keys—is a luxury resort in the colonial town of San Miguel de Allende, a UNESCO World Heritage site. Opened in 1952, the hotel consists of nine owned Spanish colonial buildings built in the 16th and 18th centuries. The total site is approximately two acres. Belmond also owns a nearby cooking school and retail shop operated in conjunction with the hotel. In 2017 and 2018, a phased overall renovation of all 37 keys and public areas was completed, along with the addition of a spa and fitness center.

## Table of Contents

### Owned Hotels—Rest of World

#### South America

Belmond Copacabana Palace—239 keys—was built in the 1920s on a three-acre owned site facing Copacabana Beach near the central business district of Rio de Janeiro, Brazil. It is a famous hotel in South America and features two fine-dining restaurants, 13 function rooms hosting up to 1,300 guests, including the hotel's refurbished former casino rooms, a 25 meter-long swimming pool, spa and fitness center, and a roof-top tennis court and a private roof-top plunge pool for the penthouses. In December 2012, Belmond completed a two-year phased refurbishment of the guest rooms in the main building including an expanded and restyled lobby and, in early 2014, converted one of the hotel's bars into a new pan-Asian restaurant. Upgrades in 2017 included the renovation of the Pérgula Restaurant, which is the main three-meal restaurant for the hotel located on the ground level with seating overlooking the pool, upgrades to the pool area, and a new energy management system. Third parties own a less than 2% minority interest in the hotel.

Belmond Hotel das Cataratas—187 keys—is located beside the famous Iguassu Falls in Brazil on the border with Argentina, a UNESCO World Heritage site. Belmond was awarded in 2007 a 20-year lease of the hotel from the government. It is the only hotel in the national park on the Brazilian side of the falls. First opened in 1958 on about four acres, the hotel has two restaurants, two bars, conference facilities, a swimming pool, spa, fitness center and tennis court, and tropical gardens looking onto the falls. In 2017, the hotel completed the renovation of 23 keys. Belmond had applied in 2009 to the Brazilian Ministry of Planning, Budget and Management for an amendment of the lease, but the Secretary of the Ministry denied the application in September 2014. Belmond thereafter claimed against the Federal Government for breach of the lease and received interlocutory relief at the trial court in the form of a 25% lease reduction and an injunction on the Federal Government from taking any action inconsistent with the court's decision, which was affirmed twice on appeal. The Federal Court subsequently issued a preliminary decision in October 2017 denying in part the Company's claim for modification of the lease concession and ordering the Company to pay the stated rent in the lease, which was affirmed on appeal. On April 25, 2018, the Federal Superior Court reversed the decision in Belmond's favor on all counts, so that the injunction against the Federal Government remains in place and the rent reduction was reinstated on a prospective basis. See Item 3—Legal Proceedings.

Belmond Miraflores Park—89 keys—is located in the fashionable Miraflores residential district of Lima, Peru. This all-suite owned hotel, occupying about an acre of land, faces the Pacific Ocean and is conveniently located to the city's commercial and cultural centers. Following a five-month closure for a \$7,500,000 renovation project, Belmond reopened the hotel in April 2014 with refreshed guest accommodations, conference facilities and public areas. The hotel features two restaurants, large banqueting and meeting rooms and an exclusive lounge for guests staying on the upper floors. Leisure facilities include a spa, gym and rooftop swimming pool with ocean views. During 2016, the property converted former office space on its third floor into eight executive guest rooms. In 2018, the Company completed a design for the full renovation of the lobby and the renovation is expected to be completed in 2019. See also Item 3—Legal Proceedings.

#### Africa

Belmond Mount Nelson Hotel—198 keys—in Cape Town, South Africa is a famous historic property opened in 1899. With beautiful gardens and pools, it stands just below Table Mountain and is within walking distance of the main business, civic and cultural center of the city. The hotel has two restaurants, a ballroom, two swimming pools, tennis courts, a spa and fitness center, and a business center with meeting rooms, all situated on ten acres of owned grounds. In 2012, Belmond renovated 30 guest rooms and the restaurant overlooking the main swimming pool and gardens and, in 2013, refurbished an additional 36 guest rooms. In 2014, Belmond refurbished eight junior suites and 18 suites, including its eight garden cottages. In 2015, the hotel's original ballroom and three conference rooms were renovated and in 2016, 48 keys in the main building were upgraded and refurbished. In 2017, significant upgrades

were made to the entry drive, porte cochere, reception lobby, and Tea Lounge and Bar. In 2018, two one-bedroom cottages were converted into a two-bedroom suite. The hotel has expansion potential through conversion of adjacent owned residential properties.

Belmond Khwai River Lodge, Belmond Eagle Island Lodge and Belmond Savute Elephant Lodge—39 keys in total—comprise Belmond's African safari experience in Botswana consisting of three separate game-viewing lodges. Established in 1971, Belmond holds leases to the lodge sites in the Okavango River delta and nearby game reserves, where African wildlife can be observed from open safari vehicles or boats. The leases expire between 2020 and 2042. Botswana's Okavango Delta was added to the UNESCO World Heritage list in June 2014. Each camp has 12 or 15 luxury one bedroom tents under thatched roofs, and guests travel between the camps by light aircraft. Boating, fishing, hiking and swimming are offered at the various sites. In 2015, Belmond closed Belmond Eagle Island Lodge to undertake a full refurbishment of the property and reopened it in November 2015. Belmond Savute Elephant Lodge closed in November 2017 for a full renovation and reopened in May 2018. The renovation

## Table of Contents

included upgrades to the infrastructure, enhancements to finishes, new food and beverage outlets including outdoor dining, a swimming pool, and the addition of a spa tent.

### Asia

Belmond Napasai—68 keys including 14 private villas—is located on its own beach on the north side of Koh Samui island of Thailand in the Gulf of Siam. It originally opened in 2004 and features two restaurants, tennis courts, a swimming pool, a spa and water sports such as sailing, diving and snorkeling in the nearby coral reef. The guest rooms and garden cottages are arranged in sea view on a total site of about 40 owned acres, which includes vacant land for future expansion. The villas, most of which are owned by third parties, are available for rent by hotel guests.

Belmond Jimbaran Puri—64 keys including 22 villas—is on the island of Bali in Indonesia and occupies seven beachfront acres under long-term lease through 2050 on the south coast of the island. Guest rooms are situated in cottages, and there are two restaurants, a spa, swimming pool and ocean water sports. Each villa has its own private plunge pool.

Ubud Hanging Gardens—38 keys—also on Bali is located on terraces on about seven steep hillside acres above the Ayung River gorge in the rain forest interior of the island. This long-term leased hotel opened in 2005 and offers two restaurants, a swimming pool and spa, and a free shuttle bus to the nearby town of Ubud, a cultural and arts center. Each key has its own private plunge pool.

As previously reported, following an unannounced dispossession of Belmond from Ubud Hanging Gardens by the third-party owner in November 2013, Belmond was unable to continue operating the hotel. Belmond believed this action by the owner was unlawful and in breach of its long-term lease arrangement and constituted a wrongful dispossession. Accordingly, Belmond has taken appropriate legal steps to protect its interests and is currently seeking to enforce its Singapore arbitral award for \$8.5 million against the owner in Indonesia. See Item 3—Legal Proceedings.

Belmond La Résidence d'Angkor—59 keys—opened in 2002 and is situated in walled gardens in Siem Reap, Cambodia. The hotel occupies a site of about two acres under long-term lease until 2066. The ancient Temples of Angkor Wat, a UNESCO World Heritage site and the principal tourist attraction in the area, are nearby. The hotel has two indoor/outdoor restaurants, swimming pool, and a spa and fitness center. The property completed a full renovation of its guest rooms and added a pool suite by combining two keys overlooking the pool in 2016.

Belmond Governor's Residence—49 keys—was built in the 1920s in the embassy district of Yangon, Myanmar (Burma) originally as the official home of one of the Burmese state governors and near the great Shwedagon pagoda in the city. The building is a two-story teak mansion surrounded by verandas overlooking lotus gardens on a site of about two acres leased until 2066. Belmond Governor's Residence opened as a hotel in 1997. It includes two restaurants and swimming pool.

Belmond La Résidence Phou Vao—34 keys—is in Luang Prabang, the ancient capital of Laos and a UNESCO World Heritage site. Belmond owns a 69% interest in the entity which owns the property. The hotel opened in 2001 and occupies about eight hillside acres under long-term lease until 2028. Guest rooms are in four two-story buildings surrounded by lush gardens that include a restaurant, spa and swimming pool.

### Part-Owned/Managed Hotels

#### Peru

Belmond has a 50%/50% joint venture with local investors in Peru which operates the following five hotels under Belmond's exclusive management.

Belmond Hotel Monasterio—122 keys—is located in the ancient Inca capital of Cusco, an important tourist destination in Peru and a UNESCO World Heritage site. The hotel was originally built as a Spanish monastery in the 16th century, converted to hotel use in 1965, and has been upgraded since then. The guest rooms and two restaurants are arranged around open-air cloisters. Many of the guest rooms are specially oxygenated due to Cusco's high altitude. In 2015, Belmond completed a three-year phased renovation of guest rooms and bathrooms. The site measures approximately three acres under long-term lease until 2047, with options to renew until 2067. In 2018, the design for a soft goods renovation of the lobby bar and two restaurants was completed and construction is expected to commence in the second half of 2019.

Belmond Palacio Nazarenas—55 keys—is located adjacent to Belmond Hotel Monasterio in Cusco and is a former palace and convent which the joint venture has rebuilt as a separate hotel and opened in June 2012. This is an all-suite hotel arranged around courtyards and features oxygenated guest rooms, an outdoor heated swimming pool, spa, and poolside restaurant and bar. During

## Table of Contents

construction, archeologists discovered Incan artifacts and foundations which have been preserved and displayed in the hotel. The property is subject to a lease until 2035, with options to renew until 2042. In 2018, the joint venture completed an upgrade of its main restaurant.

Belmond Sanctuary Lodge—31 keys—is the only hotel at the famous mountaintop Inca ruins at Machu Picchu, a UNESCO World Heritage site. All of the rooms have been refurbished to a high standard. In 2016, the joint venture completed a three-year phased renovation of all guest rooms and suites, as well as the hotel's reception and public areas. In 2017, the Tinkuy buffet restaurant was refurbished. The joint venture leases the hotel as well as seven acres for possible future expansion at the foot of the ruins, close to the town on the Urubamba River where tourists arrive by train. The lease has been extended to 2025. See Item 3 — Legal Proceedings.

Belmond Hotel Rio Sagrado—23 keys including two villas—is owned by Belmond's Peru hotel joint venture and is located in the Sacred Valley of the Incas between Cusco and Machu Picchu. Opened in 2009, this rustic hotel has a spa with indoor plunge pool and extensive gardens beside the Urubamba River on a site of about six acres set against an imposing mountain backdrop. The Sacred Valley is a popular part of holiday itineraries in Peru, and a station on Belmond's PeruRail train service is a short distance from the hotel. During 2013, the joint venture refurbished the guest rooms, enlarged the spa and installed an outdoor heated swimming pool. In 2014, the property enhanced the main entry arrival with a new entry drive and landscape improvements and added a train platform/lounge to accommodate Hiram Bingham train guests stopping at the hotel. In 2015, the joint venture acquired an adjacent parcel of land of approximately two and a half acres on which the joint venture is contemplating further development.

Belmond Las Casitas—20 keys—is located in Colca Canyon, a river canyon in southern Peru famed for being one of the world's deepest and a habitat for the giant Andean condor and having pre-Inca roots. It is located on a 24 hectare estate with 20 luxury individual bungalows, each with a private terrace, plunge pool, fireplace, indoor and outdoor shower, and hot tub. The resort includes a library, outdoor pool, spa, and restaurant and bar, with an on-property farm that provides organic produce for the restaurant. The Company acquired the property through its 50%/50% joint venture in Peruvian hotels in May 2017 and a soft goods renovation was completed in 2017.

## Owned Trains and Cruises

Venice Simplon-Orient-Express comprises 18 historic railway cars, all of which have been refurbished in original 1920s/1930s décor and meet modern safety standards. It operates once or twice weekly principally between multiple cities and Venice from March to November each year via Paris, Zurich and Innsbruck on a scenic route through the Alps. The journey from London to Venice departs from London Victoria station on the Belmond British Pullman train; passengers then cross the English Channel by coach on the Eurotunnel shuttle train. Occasional trips are also made to Vienna, Prague, Berlin, Copenhagen, Stockholm, Budapest and Istanbul. During 2015, the bar was completely refurbished and in 2016 and 2017 respectively, air conditioning and Wi-Fi were added throughout the train. During the 2017/2018 winter closure, one carriage was converted into three grand suites with en-suite showers. Venice-Simplon-Orient-Express is made up of three dining cars, one bar car and sleeper cars carrying up to 178 passengers in 85 double and 12 single cabins. Venice Simplon-Orient-Express is also available for charter by private groups.

Belmond British Pullman consists of 11 Pullman dining cars in Britain which operate from February through December originating out of London on short excursions to places of historic, scenic or sporting interest in southern England, including some weekend trips when passengers stay at local hotels. Full fine dining is offered on every departure. One carriage of the train undergoes interior refurbishment and a full maintenance overhaul annually.

Belmond Royal Scotsman is a luxury sleeper train owned by Belmond and comprises nine Edwardian-style cars, including five sleeping cars (each compartment with private bathroom), two dining cars and a bar/observation car, and

accommodates up to 40 passengers. In 2017, the bar/observation car was renovated and a spa car with two treatment rooms was added. Operating from April to October, the train travels on itineraries of up to seven nights through the Scottish countryside affording passengers the opportunity to visit clan castles, historic battlegrounds, famous Scotch whiskey distilleries and other points of interest. A soft goods renovation of the public areas was completed in 2017. In 2019, a soft refurbishment of all sleeper carriages on the train is expected to be completed.

Belmond Grand Hibernian is a luxury sleeper train owned by Belmond and was launched in 2016 and comprises ten Georgian-styled railway cars, including five sleeping cars (each compartment with a private bathroom), two dining cars, a bar/observation car and accommodates up to 40 passengers. It operates from April to October and travels on three itineraries through the Irish countryside affording passengers the opportunity to visit castles, lakes, towns, whiskey distilleries and other places of interest.

## Table of Contents

Belmond Road to Mandalay is a luxury river cruise ship on the Ayeyarwady (Irrawaddy) River in central Myanmar. The ship was a Rhine River cruiser built in 1964 that Belmond bought and refurbished. It has 43 air conditioned cabins with private bathrooms, spacious restaurant and lounge areas, and a canopied sun deck with a swimming pool. The ship travels between Mandalay and Bagan up to eight times each month and carries up to 82 passengers who may enjoy sightseeing along the river and guided shore excursions to places of cultural interest. Three- to 11-night itineraries are offered. The ship does not operate in the summer months and occasionally when the water level of the river falls too low due to lack of rainfall. During 2015, the top deck barbeque and bar venues were refurbished.

Belmond Afloat in France consists of seven luxury river and canal boats (called *péniche-hôtels*) owned by Belmond and operates in Burgundy, Provence and other rural regions of France. They accommodate between four and 12 passengers each in double berth compartments with private bathrooms, and some have small plunge pools on deck. They operate seasonally between April and October on three- to six-night itineraries with guests dining on board or in nearby restaurants. Shore excursions are organized each day. In 2018, two additional canal boats accommodating eight passengers each were added to the fleet for a total of seven river and canal boats.

All Belmond trains and cruises are available for private charter.

### Part-Owned/Managed Trains

PeruRail: Belmond and local Peruvian investors formed two 50%/50% joint venture companies (PeruRail S.A. ("PeruRail") and Ferrocarril Transandino S.A. ("FTSA")). FTSA was awarded in 1999 a 30-year concession to operate the track and other infrastructure of the state-owned railways in southern and southeastern Peru. The concession had an initial term of 30 years from 1999 with the option to apply for six 5-year extensions. In December 2017, FTSA received a denial of its third extension request. As a result, FTSA can no longer conclude that the remaining three extensions are probable and has therefore reduced its expectation of the total expected life of the concession to the contracted term of 35 years of which 16 years are remaining as of December 31, 2018. This triggered an impairment test of the assets within the joint venture and the shorter time period over which to recover the carrying value of the assets has led to an impairment charge being recorded in the year ended December 31, 2017. The life of the concession is now expected to expire in 2034. See Note 8 to the Financial Statements.

PeruRail operates passenger and freight services in southern and southeastern Peru. The 70-mile Cusco-Machu Picchu line, carrying mainly tourists as well as local passenger traffic, is the principal means of access to the famous Inca ruins at Machu Picchu because there is no convenient road. Another carrier operates on this line in competition with PeruRail. A second rail line runs from Cusco to Matarani on the Pacific Ocean (via Arequipa) and to Puno on Lake Titicaca, and principally serves freight traffic under contract, an activity PeruRail has expanded by hauling the output of local copper mines in southern Peru to the Pacific port for export. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Performance—Part-owned/managed trains—Year ended December 31, 2018 compared to year ended December 31, 2017 and year ended December 31, 2017 compared to year ended December 31, 2016. PeruRail can continue to run trains on the track after the conclusion of FTSA's concession. PeruRail, along with other third-party operators, pays a track access fee to FTSA and FTSA pays the Peruvian government fees related to traffic levels and the use of rail infrastructure, locomotives and rolling stock.

The Cusco-Machu Picchu line connects four of Belmond's Peruvian hotels, allowing inclusive tours served by the Belmond Hiram Bingham luxury daytime tourist train comprising two dining cars and a bar/observation car with capacity up to 84 passengers. PeruRail also operates a daytime tourist train that runs on the Cusco-Puno route through the High Andes mountains. In 2017, a new luxury sleeper train was launched under the name Belmond Andean Explorer, which runs through the Peruvian Highlands from Cusco to Lake Titicaca and Arequipa. This train consists of 21 carriages, which Belmond owned and operated in Australia until 2003 and sold to PeruRail in 2016. The train was shipped from Australia to Peru where it underwent a full renovation. It carries 70 passengers in 35 en-suite



cabins, with two dining cars, a lounge car, and an observation car.

Eastern & Oriental Express: During its operating season from September to April, the Eastern & Oriental Express offers a round trip each week between Singapore, Kuala Lumpur and Bangkok. The journey includes two or three nights on board and side trips to Kuala Kangsar in Malaysia and the River Kwai in Thailand. Some overnight trips are also made from Bangkok to Chiang Mai and elsewhere in Thailand and to Vientiane, Laos. Longer itineraries, up to six nights on board, are offered to places of historic, scenic and cultural interest in the region. Originally built in 1970, the 24 cars were substantially refurbished in an elegant Asian décor and fitted with modern facilities such as air conditioning and private bathrooms. The train is made up of sleeping cars, three restaurant cars, a bar car and an open-air observation car and carries up to 82 passengers. The Eastern & Oriental Express is available for charter by private groups. Belmond manages the train and has a 25% shareholding in the owning company.

## Table of Contents

### Management Strategies

As the foregoing indicates, Belmond has a global mix of luxury hotel and travel products that are geographically diverse and appeal to both high-end individual travelers as well as prominent meeting, incentive, and social groups. Individual travelers in 2018 made up approximately 72% of total hotel room nights, with meeting, social, and incentive groups accounting for the remaining 28%. Belmond's properties are distinctive as well as luxurious and tend to attract guests prepared to pay higher rates for the travel experiences and high-quality service Belmond offers compared to its competitors.

Belmond benefits from long-term trends and developments favorably impacting the global hotel, travel and leisure markets, including growth trends in the luxury hotel market in many parts of the world, increased travel and leisure spending by consumers, favorable demographic trends in relevant age and income brackets of U.S., European and other populations, and increased online travel bookings.

Under the Merger Agreement with LVMH, the Company is restricted from taking certain actions without LVMH's consent while the sale to LVMH is pending, including, among others, from making certain investments or acquisitions and selling certain assets, engaging in certain capital expenditures, and incurring certain indebtedness.

Subject to the constraints imposed by the Merger Agreement, Belmond's aim is to continue to be the consummate luxury experiential travel company, providing guests with a window into authentic, 'one-of-a-kind' experiences in some of the most inspiring destinations in the world. In 2016, Belmond announced a strategic growth plan intended to grow its business by focusing on three key areas:

Driving top-line growth and bottom-line results at the Company's existing businesses -- Belmond plans to continue owning or part-owning and operating most of its existing properties, which allows Belmond to develop each product's distinctive local character and to benefit from current cash flow and potential future gains on sale. Belmond considers its combined owner/operator role as efficient and consistent with the long-term nature of its assets. Self-management or management with equity interest has enabled Belmond to capture the economic benefits otherwise shared with a third-party manager, to control the operations, quality and expansion of the hotels, and to use its experience with market adjustments, price changes, expansions and renovations to improve cash flow and enhance asset values. The Company continues to emphasize increasing revenue and earnings at its established and recently opened properties, with a particular focus on:

- maximizing RevPAR while controlling costs associated with incremental revenue;
- upgrading core systems to drive greater demand, improve customer relationships and increase website conversion ratios;
- investing in capital improvements at existing hotels and expanding where land or space is available, in both cases when potential investment returns are relatively high and operating costs are low;
- putting a greater emphasis on margin improvements; and
- increasing the utilization of its trains and cruises by adding departures and, for PeruRail, expanding its contracted freight business.

Continuing the Company's efforts to build brand awareness -- Many of Belmond's individual properties, such as Belmond Hotel Cipriani, Belmond Grand Hotel Europe, Belmond Copacabana Palace and Belmond Mount Nelson Hotel, have distinctive local character and strong brand identities. Prior to introducing the Belmond brand in 2014, the Company promoted its individual hotel properties and the Venice Simplon-Orient-Express train through the "Orient-Express" sub-brand. In 2014, the Company elected to migrate to more of a "hard-brand" strategy and now markets its collection under the Belmond brand. At the same time, the Company retained its long-term license agreement with SNCF, the French transportation company that owns the "Orient-Express" trademark for the Venice Simplon-Orient-Express train. With the decision to introduce the Belmond brand, the Company also entered into an

agreement with SNCF to terminate (with effect from December 14, 2014) the "Orient-Express" license for hotel use, without any cost or penalty.

The revised brand and marketing strategy is intended to increase consumer recognition of the broad scope of the Company's unique collection of luxury hotels and travel experiences, thereby increasing repeat and multi-property visits and enhancing revenue growth, and to heighten awareness of the entire portfolio of individual properties among existing and potential new guests. Management also expects this approach will make Belmond more attractive to third-party owners thereby facilitating the strategy of expanding into third-party management of properties that complement Belmond's existing portfolio.

The Company has made important progress on increasing consumer and industry awareness of the Belmond brand in the approximately five years since its launch. Management believes that there is additional scope for expanding awareness

## Table of Contents

and is focused on building the brand and gaining more market share within the luxury leisure brand landscape. In particular, the Company is focused on making Belmond "the brand of choice" for its specific niche by expanding brand training for employees in order to bring the brand to life for guests while on property, identifying and introducing signature programming that differentiates the Company from its competitors, and utilizing public relations and media opportunities to introduce new experiences while at the same time reinforcing the Belmond brand. In 2017, the Company launched a new global brand campaign and fully re-designed consumer website to support and help centralize these collective brand objectives.

Expanding the Company's global footprint -- As part of the strategic plan that the Company unveiled in 2016, Belmond identified global footprint expansion as a meaningful driver of the Company's long-term growth and value. Footprint expansion includes growing the Company's international portfolio through any or all of the following: acquisitions, long-term leases, management agreements -- with or without a related investment, franchise agreements, and construction or acquisition of new train or cruise businesses. Factors in Belmond's evaluation of a potential acquisition, lease, management or franchise opportunity include the property's fit within the Belmond brand and the Company's target geographic markets, as well as an assessment against certain Company's defined financial criteria, with a focus on maintaining conservative debt and leverage levels. In keeping with this conservative approach, the Company intends to partially finance larger acquisitions through the sale of selected assets while generally seeking to retain long-term management of any disposed asset.

As a sizeable part of its footprint expansion strategy, the Company plans to pursue long-term contracts to manage distinctive luxury hotels owned by others principally on a fee basis. These contractual arrangements may include cash, loan or other investment, including key money, by Belmond in connection with renovating or converting a property to meet Belmond's standards and to align Belmond's interest as an operator with the owner. Management agreements are desirable to the Company in that they would typically be a less-capital-intensive manner of facilitating entry into new markets for Belmond. As owner of many unique and luxury properties that Belmond operates itself, Belmond believes it is well positioned to manage comparable hotels for others.

Other strategic considerations -- In recent years, management executed on a strategy to reduce Belmond's long-term debt position. A number of assets not considered key to Belmond's portfolio of unique, high-valued properties were identified and sold with proceeds being used to reduce debt, re-invest in other properties, and more recently to repurchase the Company's class A common shares. In the last four years, Belmond sold its 50% ownership in the entity which owned Hotel Ritz by Belmond, Madrid, Spain, the Inn at Perry Cabin by Belmond in Maryland, and Belmond Northern Belle in England for combined total proceeds of \$87,489,000, and removed any debt or guarantees related to these properties from its consolidated balance sheets. See Note 6 to the Financial Statements. Management continues to review Belmond's portfolio to identify additional non-core assets and expects that any future asset sales would be encumbered by long-term management agreements for Belmond. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

## Marketing, Sales and Public Relations

Belmond invested \$3,000,000 in enhanced promotional and marketing initiatives in 2018.

Belmond's sales and marketing function is primarily based upon direct sales to consumers of travel (prioritizing strategic third-party travel agents, sales representatives and tour operators, and electronic channels such as the internet and digital marketing), cross-selling and up-selling to existing customers, and public relations. Belmond has its own global sales force located in 17 cities in the U.S., Brazil, Mexico, various European countries, Australia and Japan, and has appointed third-party sales representatives in ten additional cities in Asia and the Middle East. Belmond also has local sales staff responsible for the properties where they are based.

Belmond's sales staff identify and train preferred travel industry and distribution partners, engage with group and corporate account representatives, and conduct marketing initiatives such as direct mailings, e-commerce, trade show participation and event sponsorship. Revenue is managed using sophisticated room rate and inventory tools. Belmond participates in a number of luxury travel partner programs, such as the "Fine Hotels & Resorts" and "Centurion Hotel Program", both operated by American Express, and the "Virtuoso" travel agent consortium. Belmond offers its top travel agents and other industry partners "by invitation only" participation in Belmond's "Bellini Club" providing training courses, special commissions and sales support for all Belmond products worldwide.

Consumer advertising, websites and digital marketing are important direct sales and marketing tools for Belmond. Through its principal website ([belmond.com](http://belmond.com)), Belmond provides extensive descriptions and images of the products and guest activities in

## Table of Contents

English and seven other languages, in addition to bookings and brand wide promotions. The belmond.com website was fully rebuilt and re-branded in 2017, in anticipation of the launch of a global brand campaign and to support the business objective to increase bookings and revenues through online commerce. Belmond operates other internet special interest travel portals that direct customers to Belmond's properties, and works with other selected electronic distribution channels. Social media such as Facebook, Twitter, YouTube, Instagram and Pinterest are increasingly significant marketing tools, particularly as the brand looks to reach new markets and to target new customer demographics, including millennials.

Because repeat customers appreciate the consistent quality of Belmond's hotels, trains and cruises, an important part of Belmond's strategy is to promote Belmond properties through various cross-selling efforts to engage with Belmond's loyal customer base. These include gifts cards, customer relationship management systems and other customer recognition programs, worldwide preferred travel agent programs, and direct communications with customers. In 2019, the Company will continue to invest in the roll-out of a business intelligence system to further enhance the effectiveness of its marketing and communication strategy to ensure content is tailored, targeted and personalized in accordance with individual customer preferences.

Belmond's marketing strategy also focuses on public relations, which management believes is a highly cost-effective marketing tool for luxury properties. Because of the unique nature of Belmond's portfolio, guests often hear about Belmond's hotels and other travel products through word-of-mouth or published articles. Belmond has an in-house public relations office in London and representatives in 14 countries worldwide, including third-party public relations firms under contract, to promote its properties through targeted newspapers, general interest and travel magazines, and broadcast, online and other media.

## Corporate Social Responsibility

Belmond is committed to the implementation of responsible business practices furthering the sustainability of tourism and seeks to ensure that its properties and corporate offices engage with their local communities and environments in a positive manner through their ongoing activities. Examples of these are as follows:

- Belmond is a member of the Sustainable Restaurant Association and will continue to be advised by its food sustainability, environmental responsibility and ethical sourcing standards during the coming year. In addition, the food and beverage operations of Belmond Le Manoir aux Quat'Saisons will continue to be fully assessed in 2019 to measure and benchmark sustainability credentials. The UK hotel continues to support the local community, source local food wherever possible, and compost waste.

In Myanmar, the ship doctor of Belmond Road to Mandalay has run community activities along the Ayeyarwady River in a program dating back to 1995. These include a free clinic that treats an average of 2,000 people per month. Among other community activities are the construction and long-term support of 25 schools, and irrigation and solar power projects in remote villages.

Our diverse activities in southeast Asia include supporting a turtle conservation foundation, beach cleaning, and agricultural, water purification and recycling programs in Bali. We support an orphanage in Laos, train students of a hospitality school in Cambodia and recycle retired linens to those in need near several of our hotels. Belmond Napasi in Koh Samui has received a Silver G-Green Award from Thailand's Department of Environmental Quality & Promotion.

In Russia, Belmond Grand Hotel Europe works with local orphanages and youth organizations to support those in need. The hotel supports a house in the SOS children's village outside of St. Petersburg for young people without families, where five children aged between 12 and 15 years old are currently being cared for. The hotel has also

introduced a greenhouse program to educate children in growing, and the importance of fresh organic vegetables.

In the U.S., Belmond Charleston Place created and coordinates the Charleston Chefs' "Feed the Need" Program in which local hotels, restaurants and caterers provide weekly meals in food shelters for up to 500 persons. The hotel also introduced a "Teach the Need" program, teaching hospitality skills to at-risk high school students and helping them find employment. A new program, "Ben's Friends," helps those in the hospitality industry overcome drug- and alcohol-related problems. In addition, every Christmas, the hotel organizes a luncheon for 2,000 disadvantaged local people, along with providing gifts such as winter coats. In 2018, the hotel raised over \$500,000 to help fund these endeavors.

Also in the U.S., Belmond El Encanto is pursuing a number of community initiatives such as support of low-income families and local shelters. It fundraises for and organizes volunteering in support of Youth Interactive and Girls Inc., charities for underserved young people. The hotel supports a range of eco initiatives at an island national park including habitat restoration and education. The hotel's Sustainability Committee spearheads long-term environmental initiatives,

## Table of Contents

which include water conservation through faucet aerators, laundry reduction, eco cleaning products and the introduction of moisture-resistant plants to its famous gardens.

In Brazil, Belmond Copacabana Palace has continued to develop the sustainability and community programs it initiated in 2009 and the long-standing community programs it formalized in 2012. It now recycles more than 50% of its waste, uses 100% renewable energy, recycles 100% of its plastic bottles, donates retired linen and clothing to local charities, works with sustainable food and flower suppliers, and supports Solar Meninos de Luz, a local children's philanthropic organization.

Also in Brazil, Belmond Hotel das Cataratas is committed to environmental conservation programs including Projeto Carnívoros do Iguaçu, which has overseen a substantial rise in numbers of endangered animals such as pumas and jaguars within the surrounding national park. The hotel also sponsors a local young people's training program offering youth apprenticeships and work placements for disadvantaged young people. The hotel is committed to environmental conservation and ecological operating programs, recycling water, soap, uniforms, mattresses and other items. It was the first South American hotel to be certified for ISO14001– Sustainability and SA8000–Social Responsibility.

Our Peru hotels and trains undertake a wide range of community and sustainability initiatives. These include support of local artisans and farmers who receive help to create products and grow crops that our Peru hotels and trains purchase at fair trade prices. Belmond Palacio Nazarenas has developed an edible herb garden, Belmond Hotel Rio Sagrado a small orchard, and Belmond Sanctuary Lodge a small greenhouse – all of which supply their kitchens. PeruRail supports community alpaca breeding and wool weaving projects and donates blankets to local communities. Additional community programs range from planting thousands of trees to clearing waste from riverbanks and beaches. Cultural initiatives include the provision of free train travel for disadvantaged children to Machu Picchu, community initiatives to improve safety along the train tracks, helping villagers to set up local businesses, and a film-making program that records local people sharing local traditions and memories. One particular program, Cconamuro, trains villagers in hospitality skills, enabling them to welcome our guests on cultural day visits that include lunch and the chance to discover aspects of local life.

Our Italian hotels are active in a range of sustainability and community initiatives. Our two hotels in Sicily have implemented water-saving initiatives including rainwater tanks that help sustain a new Chef's Garden, have joined local children in the annual clean-up of nearby Isola Bella beach, and helped raise funds for a local hospital. Belmond Villa San Michele hosts an annual "dinner in the dark" in support of the Italian Union of the Blind and Partially Sighted, whose students serve guests. In addition, staff from the hotel volunteered with Angeli del Bello, a civic volunteer organization, to clean a public park in Florence. Belmond Hotel Cipriani continued its support of the Senegal village from which its Night Concierge hails. Staff raise funds for the village and also shipped a sea container of mattresses, appliances and other goods no longer needed by the hotel to the village.

In Mexico, Belmond Maroma Resort & Spa plants approximately 850 sapling trees monthly for reforestation, recycles retired clothing and linen to the Red Cross, and takes part in community projects supporting local fauna including sea turtles, melipona bees and sharks.

## Industry Awards

Belmond has gained a worldwide reputation for quality and service in the luxury segment of the leisure and business travel markets. Over the years, Belmond's properties have won numerous national and international awards given by consumer or trade publications such as Condé Nast Traveller, Travel + Leisure, The Times and The Sunday Times (UK) and Forbes.com and by private subscription newsletters such as Andrew Harper's Hideaway Report, or industry bodies such as TripAdvisor. Among the Company's awards in 2018, Belmond Le Manoir aux Quat'Saisons was awarded "Best Worldwide Hotel" at The Times and Sunday Times Reader Awards, Venice Simplon-Orient-Express



won a number of design awards including "Best Specialty Award" at the Gold Key Awards (New York) and "Best Suite" at AHEAD Europe awards. At the brand level, in 2018 Belmond was voted "Best Rail Operator of the Year" at The Telegraph Travel Awards for the second year running, and No.1 "Most Excellent" Small Hotel Chain category on TripAdvisor, as voted by readers; won "Travel Brand of the Year" (£25-100 million revenue category) at the TTG Travel Marketing Awards 2018; ranked one of the "Best Luxury Hotel Brands in the World (4th) by Luxury Travel Intelligence; and was named "British Luxury Brand of the Year" at the Walpole British Luxury Awards. The awards are based on opinion polls of the publications' readers or the professional opinions of journalists or panels of experts. The awards are believed to influence consumer choice and are therefore highly prized.

#### Competition

## Table of Contents

Some of Belmond's properties are located in areas with numerous competitors. Competition for guests in the hospitality industry is based generally on reputation and name recognition, the convenience of location, the quality of the property and services offered, room rates and menu prices, the range and quality of food services and amenities offered, and types of cuisine.

Belmond's strategy is to acquire, invest or manage only hotels which have special locations and distinctive character, offering unique travel experiences. Many are in areas with interesting local history or high entry barriers because of zoning restrictions. Belmond builds its competitive advantage by offering high quality service and cuisine, usually with a local flavor. Typically, therefore, Belmond competes by providing a special combination of location, character, cuisine, service and experiential activities rather than relying on price competition.

Belmond's luxury tourist trains have no direct competitors at present. Other passenger trains operate on the same or similar routes, including the Cusco-Machu Picchu line of PeruRail, but management believes Belmond's trains and onboard service are unique and of such superior quality that guests consider a Belmond train journey more of a luxury experience and an end in itself than merely a means of transport.

## Employees

Belmond currently employs approximately 9,300 full-time-equivalent persons. Approximately 6,450 persons are employed in the hotels, 2,700 in the trains and cruises business, and 130 in central administration, sales and marketing and other activities. Management believes that Belmond's ongoing labor relations are satisfactory. Through its various training and other human resources programs, Belmond seeks to attract, develop and retain top employees providing authentic local experiences to guests and to promote internal candidates for leadership positions.

## Government Regulation

Belmond and its properties are subject to numerous laws and government regulations such as those relating to the preparation and sale of food and beverages, liquor service, health and safety of premises and employees, development and construction, customer and employee data privacy, employee relationships and welfare, environmental matters, waste and hazardous substance handling and disposal, and planning and zoning rules.

## ITEM 1A. Risk Factors

Belmond's business is subject to various risks, including those described below. Investors should carefully consider the "Risk Factors" below. These are separated into three general groups:

• risks related to the proposed sale of the Company to LVMH Moët Hennessy—Louis Vuitton SE ("LVMH"), Palladio Overseas Holding Limited and Fenice Ltd.,

• risks of Belmond's business,

• risks related to Belmond's financial condition and results of operations, and

• risks of investing in class A common shares.

The risks described below are those that management considers to be the most significant for purposes of Item 503(c) of Regulation S-K.

If any of these risks occurs, Belmond's business, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected. When Belmond states below that a risk may have a material adverse effect, this means the risk may have one or more of these effects. In that case, the market price of the class A common shares could decline.

#### Risks Related to the Sale of the Company

There can be no assurance that the Company's proposed sale to LVMH will be consummated in the time frame or manner currently anticipated, or at all, which could materially adversely affect our business, results of operations and/or share price.

The Company's proposed sale to LVMH remains subject to various customary closing conditions, including the receipt of regulatory approvals in certain foreign jurisdictions, none of which are within the Company's control. If any condition to the closing of the

## Table of Contents

sale is not satisfied or, if permissible, waived, the sale cannot be completed. In addition, satisfying the conditions to the closing of the sale may take longer than we expect. There can be no assurance that the remaining conditions to closing will be satisfied, or that other events will not intervene to delay or result in the failure to consummate the sale. Any delay in completing or failure to complete the proposed sale to LVMH, including any delay in receiving or failure to timely receive required regulatory approvals, may cause uncertainty and other negative consequences that could adversely affect our business, financial position and results of operations.

The Company can give no assurance that the sale to LVMH will be completed, in which case the Company's shareholders would not realize the anticipated benefits from the sale, and investor confidence may decline, which may adversely affect our share price. See also Risks of Investing in Class A Common Shares—The price of the class A common shares may fluctuate significantly, which may make it difficult for shareholders to sell the class A common shares when they want or at desired prices. Under the terms of the Merger Agreement, if the Merger Agreement is terminated under certain circumstances, we will be required to pay to LVMH a termination of \$92,261,000. If triggered, the payment of the termination fee may negatively impact our results of operations, financial condition and cash flow.

While the proposed sale to LVMH is pending, the Company will be subject to business uncertainties that could materially adversely affect the Company's financial condition and results of operations as well as the future of the Company's business.

Uncertainty about the effect of the sale to LVMH on the Company's key personnel, vendors, partners and/or guests may negatively impact the Company's business. Whether or not the sale to LVMH is ultimately consummated, the Company's employees may experience uncertainty about their future roles, which might adversely affect the Company's ability to retain, hire and motivate key personnel and other employees. In addition, uncertainty relating to the pending sale may cause the Company to lose guests and the Company's vendors, partners and other parties with which the Company maintains business relationships may seek to alter or terminate their relationships with the Company. These factors, individually or collectively, may negatively impact the Company's financial performance and business, and any delay in completing the proposed sale to LVMH may further increase these uncertainties and the adverse effects related thereto.

Disruption of management's attention from the Company's ongoing business operations due to the pending sale to LVMH may adversely affect the Company's business and results of operations.

The Company has expended, and will continue to expend, significant management resources in an effort to complete the proposed sale to LVMH. Management's attention may be diverted away from the day-to-day operations of the Company's business and execution of its existing business plan in its efforts to complete the sale. This diversion of management resources could disrupt operations and have an adverse effect on the Company's operating results and business.

The Merger Agreement restricts the conduct of the Company's business prior to the completion of the sale to LVMH and limits the Company's ability to pursue strategic alternatives, which could negatively impact the Company's business and results of operations.

Under the Merger Agreement, the Company is restricted from taking certain actions without LVMH's consent while the sale to LVMH is pending, including, among other matters, from making certain investments or acquisitions and selling certain assets, engaging in certain capital expenditures, and incurring certain indebtedness. These restrictions may prevent the Company from pursuing otherwise attractive business opportunities or exercising its business strategy pending the closing of the sale, which could have an adverse effect on the Company's business, financial condition or results of operations.

In addition, subject to certain exceptions, the Merger Agreement prohibits the Company from soliciting or engaging in discussion with respect to certain alternative acquisition transactions and, in certain circumstances, the Company will be required to pay a termination fee of \$92,261,000 to LVMH in order to terminate the Merger Agreement and pursue such an alternative transaction. These provisions may discourage third parties from pursuing business opportunities with the Company and limit the Company's ability to pursue opportunities that could result in greater value to the Company's shareholders.

#### Risks of Belmond's Business

Belmond's operations are subject to adverse factors generally encountered in the international lodging, hospitality and travel industries.

In addition to the specific conditions, risks and uncertainties discussed in the risk factors below and under Item 7—Management's Discussion and Analysis, these adverse factors include:

Table of Contents

cyclical downturns arising from changes in economic conditions and general business activities in the United States and European and other countries which impact consumer confidence, levels of travel and demand for travel products,

rising travel costs such as increased air travel fares and higher fuel costs, and reduced capacities of airlines and other transport services to specific destinations,

political instability of the governments of some countries where Belmond's properties are located, resulting in depressed demand,

less disposable income of consumers and the traveling public,

dependence on varying levels of tourism, business travel and corporate entertainment,

changes in popular travel patterns,

competition from other hotels, trains, cruises and leisure time activities,

periodic local oversupply of guest accommodation in specific locations, which may adversely affect occupancy and actual room rates achieved,

increases in operating costs at Belmond's properties due to inflation and other factors which may not be offset by increased revenues,

economic and political conditions affecting market demand for travel products, including recessions, civil disorder, diplomatic relations, and acts or threats of terrorism,

foreign exchange rate movements causing fluctuations in reported revenues, costs and earnings and impacting demand for Belmond's properties,

failure to comply with applicable anti-corruption laws or trade sanctions, potentially exposing Belmond to claims for damages, financial penalties and reputational harm,

restrictive changes in laws and regulations applicable to zoning and land use, labor and employment, health, safety and the environment, and related governmental and regulatory action,

costs and administrative burdens associated with compliance with applicable laws and regulations relating to privacy and customer and employee personal data protection, licensing, labor and employment, and other operating matters,

changing national and local governmental tax laws and regulations, which may increase the taxes Belmond is required to pay,

expropriation or nationalization of properties by foreign governments of countries where our hotels and other properties are located, and limitations on repatriation of local earnings or withdrawal of local investment,

availability and cost of capital to fund construction, renovations and investments,

adverse weather conditions such as severe storms that may temporarily impact demand, destructive forces like fire or flooding that may result in temporary closure of properties, water levels that may impact the Company's cruise operations, or landslides or engineering works that may impact train operations,

reduction in domestic or international travel and demand for Belmond's properties due to actual or threatened acts of terrorism or war, or actual or threatened outbreak of contagious disease, and heightened travel security measures and restrictions instituted in response to these events,

interference with customer travel due to accidents or industrial action, increased transportation and fuel costs, and natural disasters,

with regard to Belmond's hotel management agreements, compliance by Belmond as manager with its contractual performance and financial obligations, maintenance of satisfactory relationships between Belmond as manager and the

20

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## Table of Contents

property owner, and the property owner's ability to meet financial requirements in the contracts such as necessary capital expenditure,

seasonality, in that many of Belmond's hotels and tourist trains are located in the northern hemisphere where they operate at low revenue or close during the winter months, and

reliance on third parties to haul the Belmond owned carriages comprising the Company's luxury train businesses.

The effects of many of these factors vary among Belmond's hotels and other properties because of their geographic diversity and the laws and regulations of the particular countries in which these hotels and other properties are located. The global economic downturn in 2008 and 2009 preceded by the shock of terrorist attacks and resulting public concerns about travel safety, continued terrorist attacks, regional conflicts in Iraq, Afghanistan, Ukraine and Crimea, as well as in Thailand, Myanmar and other parts of the world, the threatened flu and Ebola epidemics and the outbreak of the Zika virus, and political instability in Brazil, had and may continue to have, varying adverse effects on Belmond's results of operations. In addition, natural disasters, including weather events, such as Hurricanes Irma and Jose in 2017, which impacted both Belmond Cap Juluca on the island of Anguilla in the British West Indies and Belmond La Samanna on St. Martin in the French West Indies, can materially affect the Company's results of operations.

If revenue decreases at Belmond's properties, its expenses may not decrease at the same rate, thereby adversely affecting Belmond's profitability and cash flow.

Ownership and operation of Belmond's properties involve many relatively fixed expenses such as personnel costs, interest, rent, property taxes, insurance and utilities. If revenue declines when demand weakens, Belmond may not be able to reduce these expenses to the same degree to preserve profitability.

The hospitality industry is highly competitive, both for customers and for acquisitions of new properties.

Some of Belmond's properties are located in areas where there are numerous competitors seeking to attract customers, particularly in city centers and resort locations. Competitive factors in the hospitality industry include:

- reputation and name recognition,
- convenience of location,
- the quality of the physical property and services offered,
- room rates and menu prices,
- the range and quality of food services and amenities offered, and
- types of cuisine.

New or existing competitors could significantly lower rates or offer greater conveniences, services or amenities, or significantly expand, improve or introduce new facilities and amenities in the markets where Belmond operates, thereby adversely affecting profitability. Also, demographic, geographic or other changes in one or more of Belmond's markets could impact the convenience or desirability of its hotels and so could adversely affect their operations and Belmond's local market share.



Belmond competes for hotel acquisition and management agreement opportunities with others such as real estate investors and hotel operators. These competitors may be prepared to accept lower levels of financial return or a higher level of financial risk than Belmond can prudently manage. This competition may have the effect of reducing the number of suitable acquisition, lease and management agreement opportunities offered to Belmond or on which it could successfully bid, and the effect of increasing Belmond's costs or reducing its operating margins because the bargaining power of property owners seeking to sell or to enter into management agreements is increased.

The hospitality industry is heavily regulated, including with respect to food and beverage sales, employee relations and welfare, health and safety of premises and employees, development and construction, customer and employee data privacy, and environmental matters, and compliance with these laws and regulations and with future changes to them could reduce profitability of properties that Belmond owns, leases or manages.

## Table of Contents

Belmond's various properties are subject to numerous laws and government regulations, including those relating to the preparation and sale of food and beverages, liquor service, health and safety of premises, development and construction, and the protection of customers' and employees' personal data. The properties are also subject to laws governing Belmond's relationship with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, health and safety, hiring and firing employees and work permits.

The success of renovating and expanding existing properties depends upon obtaining necessary construction permits, approvals or zoning variances from local authorities. Failure to obtain or delay in obtaining these permits could adversely affect Belmond's strategy of increasing revenues and earnings through renovation and expansion of existing properties.

Belmond is also subject to laws and regulations relating to the environment and the handling of hazardous substances that may impose or create significant potential environmental liabilities, even in situations where the environmental problem or violation occurred at a property before Belmond acquired it or without Belmond's knowledge. Environmental laws may also impose liability for improper handling or disposal of hazardous substances or improper management of certain hazardous material which might be present at Belmond properties, such as asbestos or lead-based paint. Belmond's trains and cruises must comply with environmental regulation of air emissions, wastewater discharges and fueling. Existing environmental laws and regulations may be revised or new laws and regulations related to global climate change, air quality, hazardous substances, wastes, or other environmental and health concerns may be adopted or become applicable to Belmond.

Although Belmond does not currently anticipate that the costs of complying with environmental laws will materially adversely affect its businesses, Belmond cannot assure that it will not incur material costs or liabilities in the future, due to the discovery of new facts or conditions, the occurrence of new releases of hazardous materials, or a change in environmental laws.

Belmond could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-corruption laws.

Belmond's business operations are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act ("FCPA") and the U.K. Bribery Act ("UKBA"). The FCPA, UKBA and other anti-corruption laws in other jurisdictions prohibit companies and their intermediaries from making improper payments to government officials and others for the purpose of obtaining or retaining business. Belmond operates in many parts of the world that have experienced governmental corruption to some degree, which could reduce the Company's ability to compete successfully in those jurisdictions while remaining in compliance with the FCPA, UKBA and local laws. Belmond trains its employees in its Code of Conduct and Anti-Corruption Policy and Procedures and also requires its third-party business partners and agents and others who work with Belmond or on its behalf to comply with Belmond's anti-corruption policies. Belmond also has procedures and controls in place to monitor internal and external compliance. Belmond cannot provide assurance, however, that its internal controls and procedures will adequately protect against reckless or criminal acts committed by employees or third parties with whom Belmond works. If Belmond found, or it was alleged, that Belmond's employees or third parties with whom it works had engaged in such acts, Belmond's business could be disrupted and Belmond could be subject to criminal or civil penalties which could have a material adverse effect on Belmond's results of operations, financial condition and cash flows.

Belmond's acquisition, expansion and development strategy may be less successful than expected and, therefore, Belmond's growth may be limited.

Subject to the constraints imposed by the Merger Agreement, Belmond intends to increase its revenues and earnings in the long term by acquiring new properties, managing additional properties under contract, and expanding existing properties. The ability to pursue new growth opportunities successfully will depend on management's ability to:

- identify properties suitable for acquisition, management and expansion,
- negotiate purchases or construction on commercially reasonable terms or successfully negotiate management agreements of properties Belmond does not own or in which it has only a non-controlling interest,
- obtain the necessary financing and government permits or approvals,
- build on schedule and with minimum disruption to guests, and
- integrate new properties into Belmond's operations.

## Table of Contents

Also, the acquisition and/or management of properties in new locations may present operating and marketing challenges that are different from those experienced at Belmond's existing locations. Belmond can provide no assurance that management will succeed in this growth strategy.

Successful new project development and major expansions depend on timely completion within budget and on satisfactory market conditions. Risks that could affect a project include:

- construction delays or cost overruns that may increase project costs,
- delay or denial of zoning, occupancy and other required government permits and authorizations,
- write-off of development costs incurred for projects that are not pursued to completion,
- natural disasters such as earthquakes, hurricanes, floods or fires,
- defects in design or construction that may result in additional costs to remedy, or that require all or a portion of a property to be closed during the period needed to rectify the situation,
- inability to raise capital to fund a project because of poor economic or financial conditions,
- claims and disputes between Belmond and other contracting parties resulting in delay, monetary loss or project termination,
- governmental restrictions on the nature or size of a project or timing of completion,
- labor shortages of qualified trades people or labor disputes,
- changes in market conditions such as oversupply that may affect a project's profitability, and
- discovery or identification of environmental conditions that could require unanticipated studies, cleanups, approvals, increased costs, time delays or even project termination.

Occurrence of any of these events could adversely affect the profitability of planned expansions and new developments.

Belmond may be unable to obtain the necessary additional capital to finance the growth of its business.

The acquisition, expansion and development of luxury assets, as well as the ongoing renovations, refurbishments and improvements required to maintain or upgrade newly acquired, expanded or existing properties, are capital intensive. The availability of internally generated cash flow, future borrowings and access to equity capital markets to fund these acquisitions, expansions and projects depend on prevailing market conditions and the acceptability of available financing terms. Belmond can give no assurance that future borrowings, asset disposition or other capital raising opportunities will be available to Belmond, or available on acceptable terms, in an amount sufficient to fund its needs. In addition, the restrictions imposed by the Merger Agreement prior to the completion of the acquisition of the Company by LVMH may have an affect on the Company's ability to invest in its operations. Failure to make investments necessary to maintain or improve Belmond's properties could adversely affect the performance of Belmond's properties. See also Risks Related to the Sale of the Company—The Merger Agreement restricts the conduct of the Company's business prior to the completion of the sale to LVMH and limits the Company's ability to pursue

strategic alternatives, which could negatively impact the Company's business and results of operations.

Future equity financings may be dilutive to the existing holders of common shares. Future debt financings may require restrictive covenants that would limit Belmond's flexibility in operating its business. See also Risks Relating to Belmond's Financial Condition and Results of Operations and Risks of Investing in Class A Common Shares below. See also Risks Related to the Sale of the Company.

Belmond's operations may be adversely affected by extreme weather conditions and the impact of natural disasters, and insurance may not fully cover these and other risks.

Belmond operates properties in many locations, each of which is subject to local weather patterns affecting the properties and customer travel. As Belmond's revenues and operating performance are dependent on the revenues and performance of individual properties, extreme weather or other environmental conditions from time to time can have a major adverse impact upon individual

## Table of Contents

properties or particular regions, resulting in temporary loss of revenue or even closure while repairs are made. Furthermore, depending on the location and configuration of certain Belmond properties, such as along coasts, lagoons or rivers, they may be subject to possible adverse consequences of global climate change, including water levels or increased extreme weather patterns.

Belmond carries property, liability, hotel business interruption and other kinds of insurance in amounts management deems reasonably adequate, but claims may exceed the insurance limits or be outside the scope of coverage. Also, insurance against some risks may not be available to Belmond on commercially reasonable terms, or available at all, requiring Belmond to self-insure against possible loss. Losses from natural catastrophes may reduce the number of insurance carriers and products in the affected market and can increase insurance premiums for these products.

If the relationships between Belmond and its employees were to deteriorate, Belmond may be faced with labor shortages or stoppages, which would adversely affect the ability to operate its properties and could cause reputational harm to Belmond.

Belmond's relations with its employees in various countries could deteriorate due to disputes related to, among other things, wage or benefit levels, working conditions or management's response to changes in government regulation of workers and the workplace. Operations rely heavily on employees to provide a high level of personal service, and any labor shortage or stoppage caused by poor relations with employees, including unionized labor, could adversely affect the ability to provide those services, which could reduce occupancy and revenue and damage Belmond's reputation.

Belmond's owned hotels are subject to risks generally incidental to the ownership and operation of commercial real estate and often beyond Belmond's control.

These include:

- fluctuating values of commercial real estate and potential asset value impairments due to operating performance falling short of expectation or other triggering events,

- changes in national, regional and local economic and political conditions,

- changes in interest rates and the availability, cost and terms of financing,

- the impact of present or future government legislation and regulation (including environmental and eminent domain laws),

- the ongoing need for capital improvements to maintain or upgrade properties,

- potential discovery of environmental conditions associated with prior or present operations on site or nearby, and proper management and disposal of wastes and hazardous substances,

- changes in property taxes and operating expenses,

- the potential for uninsured or underinsured losses, and

- limited ability to reduce the relatively high fixed costs of operating owned commercial real estate if revenue declines.

Belmond continues to review its portfolio to identify properties that are non-core to its business and expects any future asset sales would be encumbered by long-term management agreements for Belmond. In an unfavorable commercial real estate market, Belmond may be unable to sell properties at values it is seeking, particularly during an economic downturn and weakness in credit markets, or sell them at the pace Belmond had planned, or encumbered by the long-term management agreements it is seeking.

Loss, dilution or infringement of Belmond's existing brand names or the failure to develop successful new brand names could adversely affect Belmond's business.

In the competitive hotel and leisure industry in which Belmond operates, trademarks and brand names are important in the marketing, promotion and revenue generation of Belmond's properties. Belmond has a large number of trademarks and brand names and expends resources each year on their surveillance, registration and protection in an increasing number of jurisdictions. Belmond may also introduce new brand names in the future. Belmond's future growth is dependent in part on increasing and developing its brand identities and customers' acceptance of those brands. From time to time, Belmond incurs costs in seeking to protect its

## Table of Contents

intellectual property and in doing so, runs the risk that a court may not uphold its rights. The loss, dilution or infringement of any of Belmond's brand identities or individual country trademark registrations, including any material losses or infringements of its current rights to the "Cipriani" brand, could have an adverse effect on its business, results of operations and financial condition.

Belmond operates the Venice Simplon-Orient-Express train under a license of that trademark from SNCF. Termination of that license could have an adverse impact on Belmond's business.

Failures in Belmond's or its suppliers' information technology systems or in protecting the integrity of customer, employee and business data could reduce revenue and earnings and result in loss or in reputational harm.

Belmond's business involves the processing, use, storage and transmission of personal information regarding customers, employees and business partners for various business purposes, including marketing and promotions. Belmond is subject to numerous laws and regulations designed to protect personal financial and other information relating to customers, employees and the business, and has established policies and procedures to help protect the privacy and security of this information. These laws and regulations are complex and evolving and may, on occasion, be inconsistent from one jurisdiction to another. Compliance may increase Belmond's operating costs or limit Belmond's ability to market its properties and services. The EU General Data Protection Regulation, which became effective in May 2018, increases certain obligations on, and limits certain uses by, businesses of the personal data of their customers, employees and business partners. The penalties for violation of this new law have increased significantly, with a maximum fine of 4% of group revenue or €20 million, whichever is higher, for the most serious breaches. The impact of Brexit (see Risks Relating to Belmond's Financial Condition and Results of Operations—Economic downturns and disruptions in the financial markets could adversely affect Belmond's financial condition and results of operations) could increase the Company's regulatory obligations and/or require the Company to amend its processes and controls and contracts with third parties for the use, transfer and processing of personal data; it may also need to change or supplement its processes for the management and response to any data breach.

Belmond depends on its own and third party information technology networks and systems to process, transmit and store company and personal information, and to communicate among its various locations around the world, including reservation systems, property management systems, customer and employee databases, administrative systems, accounting and payment systems, and third-party vendor systems. While Belmond relies on the security of these networks and systems to protect the personal and business information of the Company, customers, employees and business partners, they may be vulnerable to threats such as system, network or internet failures, security breaches, computer hacking or business disruption, viruses or malicious software programs, employee error, negligence, fraud or misuse, or other unauthorized attempts to access, modify or delete Belmond's company and personal information. Although Belmond has taken steps to address these concerns by implementing network security and internal controls, there can be no assurance that a system failure, unauthorized access, or other compromise will not occur. While from time to time third parties attempt to access the Company's network, we are not aware of any instance in which these attempts have resulted in any material release of information, degradation or disruption to the Company's network and information systems.

Any compromise of Belmond's networks or systems, public disclosure or loss of company or personal information, non-compliance with legal or contractual obligations regarding personal information, or a violation of a privacy or security policy pertaining to personal information could result in disruption to Belmond's operations; loss of revenue or property; damage to Belmond's reputation and loss of confidence of customers, employees and business partners; legal claims or proceedings, including securities class action lawsuits, liability under laws that protect personal information, regulatory penalties, monetary damages, regulatory enforcement actions, fines, and/or criminal or civil prosecution in one or more jurisdictions; decline in Belmond's stock price; and could result in subjecting Belmond to additional regulatory scrutiny, or additional costs and liabilities which could have a material adverse effect Belmond's



business, operations or financial condition.

Some Belmond properties are geographically concentrated in countries where national economic downturns, political events or other changing conditions beyond Belmond's control could disproportionately affect Belmond's business.

While Belmond's geographic diversification in 24 countries lessens the dependence of its results of operations on any particular region, Belmond owns seven hotels in Italy and one hotel in Peru and its 50%/50% joint ventures in Peru operate a further five hotels as well as PeruRail. Due to this concentration of properties in these two countries, Belmond's performance and profitability are more exposed to national or regional events or conditions in Italy and Peru than other countries where Belmond operates, such as:

- changing local economic and competitive conditions,
- weakening local currencies compared to the U.S. dollar,

## Table of Contents

- natural and other disasters,
- new government laws and regulations, and
- political instability and/or changes in government administrations.

Changing economic, political and regulatory developments in any of the countries in which the Company operates, including in the U.K. in respect of its expected withdrawal from the EU (commonly referred to as "Brexit") and in the U.S. in respect of its evolving trade and immigration policies and the Tax Cut and Jobs Act of 2017, along with the evolving political situation in Ukraine, Brazil and Peru and regional events in Myanmar, could adversely affect the Company's business and results of operations.

Belmond may be unable to manage effectively the risks associated with its joint venture investments, which may adversely impact the operations and profitability of those joint ventures.

Five of Belmond's hotels and two of its train operations are owned by joint venture companies in which Belmond has an investment of 50% or less and shares control of at least some significant aspects of their businesses, such as expenditure for capital improvements. These joint venture investments of Belmond involve risks different from 100% ownership and control because Belmond's partners:

- may be unable to meet their financial obligations to the joint venture,
- may have business interests inconsistent with those of Belmond or act contrary to Belmond's objectives and policies,
- may cause properties to incur unplanned liabilities or commitments, or
- may take actions binding on the joint venture without Belmond's consent or that otherwise may impair Belmond's operation of the business.

If any of these events occurs, the joint ventures may be subjected to additional risk, and Belmond's operations could be adversely affected because it may have limited ability to rectify resulting problems within the joint venture and even to dispose of its joint venture investment. Also, disputes with joint venture partners may result in litigation costly to Belmond.

## Risks Related to Belmond's Financial Condition and Results of Operations

Economic downturns and disruption in the financial markets could adversely affect Belmond's financial condition and results of operations.

Financial markets in the United States, Europe and Asia experienced significant disruption in 2008 and 2009, including volatility in securities prices and diminished liquidity and credit availability. In addition, the economic slowdown during this period in the United States and other countries weakened consumer confidence and led to significant reductions in the amounts persons and businesses spent on travel, hotels, dining and entertainment. Largely as a result, Belmond experienced pressure on pricing, reduced occupancy at its properties, and fewer customers from traditional markets for Belmond's hotels and other travel products. Belmond's consolidated revenue and earnings from continuing operations declined. Although revenue has since increased, Belmond incurred losses or reduced earnings in 2010 and later years due mainly to higher costs and impairment charges.

While the global economy has improved since the 2008-2009 recession, if the global economic recovery slows or adverse economic conditions recur in any of the jurisdictions in which Belmond conducts business, Belmond's future revenue, profitability and cash flow from operations could decrease and its liquidity and financial condition, including Belmond's ability to comply with financial covenants in its loan facilities, could be adversely impacted and its future growth plans curtailed.

Belmond has ten hotels, the Venice Simplon-Orient-Express train and the Belmond Afloat in France cruise business in Continental Europe and the Belmond Grand Hibernian train based in the Republic of Ireland. If uncertainty regarding euro-zone debt recurs and measures taken by European governments contribute to weakness of national economies, financial markets could experience disruption and consumer confidence could decline, resulting in less demand for these properties and negatively impacting Belmond's results of operations and financial condition.

On March 29, 2019, the U.K. will cease to be a member of the European Union. Negotiations have commenced between the British Government and the EU to agree the terms of the U.K.'s departure and those to govern its future relationship with the EU member states. Although it is unknown what the final Brexit terms will be, it is possible that there will be increased regulatory complexities,

## Table of Contents

an impact on exchange rates, an impact of the Company's tax arrangements and increased costs for the supply to the U.K. of goods and services, each of which may adversely affect our operations and financial results. In addition, while we believe it is too early to assess the full impact on the Company of the U.K.'s decision to leave the EU, a weaker pound or British economy, or the imposition of restrictions on travel by U.K. guests to the EU (such as a requirement to obtain a visa), could impact the travel preferences of the Company's guests who originate from the U.K. and could affect the operations and financial results at those properties that have a significant proportion of British visitors, such as Belmond Reid's Palace, Belmond La Residencia, the Italian properties and the Company's U.K. businesses; the operations of the Belmond Grand Hibernian, which currently operates both in the Republic of Ireland (a member of the EU) and Northern Ireland (part of the U.K.) could also be impacted. If as a consequence of Brexit, visas are introduced as a requirement for EU nationals to work in the U.K. (or for U.K. nationals to work in the EU), this could adversely affect the Company's ability to attract and retain high-caliber staff. In the U.S., evolving trade and immigration policies and the U.S. Tax Cuts and Jobs Act of 2017 could adversely affect the Company's business and results of operations.

Financial uncertainty and economic weakness identified in the previous risk factor could adversely impact Belmond's liquidity and financial condition, in particular Belmond's ability to refinance debt or raise additional funds for its cash requirements for working capital, commitments and debt service.

During the year ending December 31, 2019, Belmond will have \$6,332,000 of scheduled debt repayments including capital lease payments and debt held by consolidated variable interest entities. In 2020, Belmond will have \$6,386,000 of scheduled debt repayments including capital lease payments and debt held by consolidated variable interest entities. Belmond's capital commitments at December 31, 2018 amounted to \$21,197,000.

Belmond expects to fund its working capital requirements, debt service and capital expenditure commitments for the foreseeable future from operating cash flow, available committed borrowing facilities, issuing new debt or equity securities, rescheduling loan repayments or capital commitments, and disposing of non-core assets. See Liquidity and Capital Resources in Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations. Belmond can give no assurance, however, that additional sources of financing for its unfunded commitments will be available on commercially acceptable terms, or available at all, or that Belmond will be able to refinance maturing debt or to reschedule loan repayments or capital commitments, dispose of non-core assets or that other cash-saving steps management may take to enhance Belmond's liquidity and capital position will bridge any shortfall. If additional sources of financing are unavailable, including because of possible future breach of loan financial covenants, Belmond may be unable to fund its cash requirements for working capital, commitments and debt service.

Covenants in Belmond's financing agreements could be breached or could limit management's discretion in operating Belmond's businesses, causing Belmond to make less advantageous business decisions.

Belmond recognizes the risk that a property-specific or group consolidated loan covenant could be breached. Belmond regularly prepares cash flow projections which are used to forecast covenant compliance under all loan facilities. If there appears to be a likelihood of potential non-compliance with a covenant, Belmond would as a general rule meet with the lenders to seek an amendment to, or a waiver of, the financial covenant at risk. Obtaining an amendment or waiver may result in an increase in bank fees or borrowing costs, or may not be obtainable at all. If a covenant breach occurred in a material loan facility and Belmond were to be unable to agree with its lenders as to how the particular financial covenant should be amended or how the breach could be cured or waived, Belmond's liquidity would be materially adversely affected. The Amended and Restated Credit Agreement, dated July 3, 2017, between Belmond and its senior secured lenders governing the \$703,434,000 credit facility described above (the "Amended and Restated Credit Agreement") contains a consolidated net leverage covenant in respect of the revolving credit facility. Under the Amended and Restated Credit Agreement, the term loan portion of the credit facility is subject to cross-acceleration with the revolving credit facility. Therefore, if the Company were to breach this consolidated net leverage covenant,

the entire credit facility could be accelerated and the lenders could foreclose on substantially all of the Company's assets. In addition, the negative covenants in the Amended and Restated Credit Agreement place restrictions on the Company's ability to incur additional debt, to effect mergers and assets sales, and to pay dividends or repurchase shares. These covenants may limit the options available should management determine that the Company has insufficient liquidity.

Belmond's substantial indebtedness could adversely affect its financial condition.

Belmond has a large amount of debt in its capital structure and may incur additional debt from time to time. As of December 31, 2018, Belmond's consolidated long-term indebtedness was \$773,616,000 (including the current portion and the long-term indebtedness of Belmond's consolidated variable interest entities of \$160,602,000). This substantial indebtedness could:

require Belmond to dedicate much of its cash flow from operations to debt service payments, and so reduce the availability of cash flow to fund working capital, capital expenditures, product and service development and other general corporate purposes,

## Table of Contents

• limit Belmond's ability to obtain additional financing for its business or to repay or refinance its existing indebtedness on satisfactory terms,

• increase Belmond's vulnerability to adverse economic and industry conditions, including the seasonality of some of Belmond's activities,

• limit Belmond's flexibility in planning for, or reacting to, changes in its business and industry as well as the economy generally, or

• limit Belmond's ability to plan for, or advance, its strategic growth plan.

Belmond's failure to repay indebtedness when due may result in a default under that indebtedness and cause cross-defaults under other Belmond indebtedness. See the risk factor immediately above.

Increases in interest rates may increase Belmond's interest payment obligations under its existing floating rate debt, and refinanced debt may have higher interest rates than the debt refinanced.

After taking into account Belmond's fixed interest rate swaps, approximately 50% of Belmond's consolidated long-term debt at December 31, 2018 bears interest that fluctuates with prevailing interest rates, so that any rate increases may increase Belmond's interest payment obligations. From time to time, Belmond enters into hedging transactions in order to manage its floating interest rate exposure, but Belmond can give no assurance that those hedges will lessen the impact on Belmond of rising interest rates. Also, as Belmond refinances its long-term debt with new debt, the interest payable on the new debt may be at a higher rate than the debt refinanced.

Fluctuations in foreign currency exchange rates may have a material adverse effect on Belmond's financial condition and operating results.

Substantial portions of Belmond's revenue and expenses are denominated in non-U.S. currencies such as European euros, British pounds sterling, Russian rubles, South African rand, Peruvian nuevos soles, Botswana pula, Brazilian reals, Mexican pesos and various Southeast Asian currencies. In addition, Belmond buys assets and incurs liabilities in these foreign currencies. Foreign exchange rate fluctuations may have a material adverse effect on Belmond's financial statements. Belmond's financial statements are presented in U.S. dollars and can be impacted by foreign exchange fluctuations through both:

• translation risk, which is the risk that the financial statements for a particular period or as of a certain date depend on the prevailing exchange rates of the various currencies against the U.S. dollar,

• transaction risk, which is the risk associated with changes in exchange rates between the time when a transaction is initially recorded and when it is ultimately settled, and

• economic risk, which is the risk that the currency of costs and liabilities does not move in line with the currency of revenue and assets, which fluctuations may adversely affect Belmond's operating margins.

Belmond is subject to accounting regulations and uses certain accounting estimates and judgments that may differ significantly from actual results.

Implementation of existing and future accounting standards and rules of the U.S. Financial Accounting Standards Board ("FASB") or other regulatory bodies could affect the presentation of Belmond's financial statements and related

disclosures. Future regulatory requirements could significantly change Belmond's current accounting practices and disclosures. These changes in the presentation of Belmond's financial statements and related disclosures could change an investor's interpretation or perception of Belmond's financial position and results of operations. See Note 2 to the Financial Statements.

Belmond uses many methods, estimates and judgments in applying its accounting policies. By their nature, these are subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead Belmond to change its methods, estimates and judgments which could significantly affect the presentation of Belmond's financial condition and/or results of operations.

As an example of these estimates and judgments, Belmond evaluates goodwill for impairment at least annually, or when triggering events or changes in circumstances, such as adverse changes in the industry or economic trends or an underperformance relative to historical or projected future operating results, indicate the carrying value may not be recoverable. The Company recorded a

## Table of Contents

number of goodwill, fixed assets and other intangible impairment charges in 2018 and the Company continues to monitor its balances for future potential impairment (see Note 10 to the Financial Statements). Belmond's impairment analysis under U.S. GAAP incorporates various assumptions and uncertainties that management believes are reasonable and supportable considering all available evidence, such as the future cash flows of the business, future growth rates and the related discount rates. However, these assumptions and uncertainties are, by their very nature, highly judgmental. Belmond cannot guarantee that its business will achieve the forecasted results which have been included in its impairment analysis. If Belmond is unable to meet these assumptions in future reporting periods, it may be required to record a charge for goodwill impairment losses.

### Risks of Investing in Class A Common Shares

The price of the class A common shares may fluctuate significantly, which may make it difficult for shareholders to sell the class A common shares when they want or at desired prices.

The price of the class A shares trading on the NYSE constantly fluctuates, and Belmond management expects that the market price of the class A shares will continue to do so. Holders of class A shares will be subject to the risk of volatility and depressed prices.

The price of class A common shares can fluctuate as a result of a variety of factors, many of which are beyond Belmond's control. These factors include:

- quarterly variations in operating results,
- operating results that vary from the expectations of management, securities analysts and investors,
- changes in expectations as to future financial performance, including financial estimates by securities analysts and investors,
- developments generally affecting Belmond's business or the hospitality industry,
- market speculation about the acquisition of Belmond by LVMH, including but not limited to, the impact on the share price of the Company's class A common shares in the event the transaction is not completed,
- announcements by Belmond or its competitors of significant contracts, acquisitions, joint ventures or capital commitments,
- announcements of significant claims or proceedings against Belmond,
- future sales of equity or equity-linked securities including by holders of large positions in the outstanding class A common shares, and
- general domestic and international economic and political conditions.

In addition, the stock market in general can experience volatility that is often unrelated to the operating performance of a particular company. This volatility can arise, for example, because of disruption in capital markets and contraction of credit availability, and can be significant. These broad market fluctuations may adversely affect the market price of the class A shares.



Future sales or issuances of class A or class B common shares could negatively affect the trading price and book value of the class A common shares outstanding and dilute the ownership of class A shareholders.

The Company may in its discretion sell newly issued class A or B common shares from time to time in the future, subject to compliance with certain procedural requirements of the NYSE relating to the class A common shares, applicable securities laws, and restrictions on the Company's ability to issue class A and B common shares under the Merger Agreement during the pendency of the sale to LMVH. There can be no assurance that the Company will not make significant sales of class A or B common shares in public offerings or private placements to raise capital, for funding future acquisitions, in employee equity compensation programs or for other corporate purposes. Any sales could materially and adversely affect the trading price of the class A common shares and could result in dilution of the ownership interests of existing shareholders.

A subsidiary of the Company, which has two Company directors on its board of directors, may control the outcome of most matters submitted to a vote of the Company's shareholders.

## Table of Contents

A wholly-owned subsidiary of the Company, Belmond Holdings 1 Ltd. (“Belmond Holdings”), currently holds all 18,044,478 outstanding class B common shares in the Company representing about 63.7% of the combined voting power of outstanding class A and B common shares for most matters submitted to a vote of shareholders, and the directors and officers of the Company hold class A shares representing an additional approximate 0.8% of the combined voting power. In general, holders of class A common shares and holders of class B common shares vote together as a single class, with holders of class A shares having one-tenth of one vote per share and holders of class B shares having one vote per share. Therefore, as long as the number of outstanding class B shares exceeds one-tenth the number of outstanding class A shares, Belmond Holdings could control the outcome of most matters submitted to a vote of the shareholders.

Under Bermuda law, common shares of the Company owned by Belmond Holdings are outstanding and may be voted by Belmond Holdings. The manner in which Belmond Holdings votes its shares is determined by the four directors of Belmond Holdings, two of whom, Harsha Agadi and Mitchell C. Hochberg, are also directors of the Company, consistent with the exercise by those directors of their fiduciary duties to Belmond Holdings. Those directors, should they choose to act together, will be able to control substantially all matters affecting the Company, and to block a number of matters relating to any potential change of control of the Company. See Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Certain institutional shareholders representing two hedge fund groups challenged the Company’s corporate governance structure as it relates to the ownership and voting of class B common shares, including by proposing shareholder resolutions to amend the Company’s bye-laws to treat the class B shares as “treasury shares” with no voting rights and to cancel the class B shares. Those resolutions were rejected at a special general meeting of shareholders of the Company in October 2008 by a majority of the votes of the outstanding class A and class B common shares, voting together as a single class. Following the defeat of the resolutions at the special general meeting, these shareholders filed a petition in the Supreme Court of Bermuda in January 2009 against the Company, Belmond Holdings and certain of the Company’s directors seeking similar and related relief, including a declaration that the Company holding or voting class B shares, directly or indirectly, was unlawful and an order restraining Belmond Holdings from exercising its voting rights attached to the class B shares. After a trial on preliminary issues relating to the legality of the holding of class B shares in the Company by Belmond Holdings, the Court ruled in June 2010 that it is lawful for Belmond Holdings to hold and exercise voting rights in respect of class B shares in the Company held by Belmond Holdings and struck out the petition in its entirety. The Court also awarded the respondents their defense costs incurred in the proceedings. The foregoing description of the Court’s judgment does not purport to be complete and is qualified in its entirety by reference to the judgment, which the Company filed as Exhibit 99.1 to its Current Report on Form 8-K dated June 1, 2010 and is incorporated herein by reference.

The corporate governance structure of the Company, with dual class A and B common shares and ownership and voting of the class B shares by Belmond Holdings, has been analyzed by legal counsel, and the Company’s board of directors and management believe that the structure is valid under Bermuda law. The judgment of the Bermuda Supreme Court in June 2010 confirms this belief. The structure enables Belmond to oppose any proposal that Belmond believes is contrary to the best interests of the Company and its shareholders, including a coercive or unfair offer to acquire the Company, and thus preserve the value of Belmond for all shareholders. The structure has been in place since the Company’s initial public offering in 2000, and has been fully described in the Company’s public filings and clearly disclosed to investors considering buying the class A common shares.

However, new litigation against the Company involving its corporate governance structure or other future challenges may occur, the outcome of which may be uncertain. Furthermore, new litigation or future challenges may cause the Company to incur costs, such as legal expenses, to defend its corporate governance structure and these costs may be substantial in amount.

Provisions in the Company's charter documents, and the preferred share purchase rights currently attached to the class A and class B common shares, may discourage a potential acquisition of Belmond, even one that the holders of a majority of the class A common shares might favor.

This risk factor should be read in conjunction with Item 1A—Risks Related to the Sale of the Company—The Merger Agreement restricts the conduct of the Company's business prior to the completion of the sale to LVMH and limits the Company's ability to pursue strategic alternatives, which could negatively impact the Company's business and results of operations.

The Company's memorandum of association and bye-laws contain provisions that could make it more difficult for a third party to acquire Belmond or to engage in another form of transaction involving a change of control of the Company without the consent of the Company's board of directors. These provisions include:

- a supermajority shareholder voting provision for the removal of directors from office with or without cause,
- a supermajority shareholder voting provision for "business combination" transactions with beneficial owners of shares carrying 15% or more of the votes which may be cast at any general meeting of shareholders, and

## Table of Contents

limitations on the voting rights of such 15% beneficial owners.

Also, the Company's board of directors has the right under Bermuda law to issue preferred shares without shareholder approval, which could be done to dilute the share ownership of a potential hostile acquirer. Although management believes these provisions provide the shareholders an opportunity to receive a higher price by requiring potential acquirers to negotiate with the Company's board of directors, these provisions apply even if the offer is favored by shareholders holding a majority of the Company's equity.

The Company has in place a shareholder rights agreement providing for rights to purchase series A junior participating preferred shares of the Company upon the occurrence of certain events, including the acquisition by any person(s) of beneficial ownership of 15% or more of the outstanding class A or class B common shares or the commencement of a tender or exchange offer for 30% or more of the outstanding class A or class B common shares. These rights may therefore deter potential acquirers. The rights are not currently exercisable, and will not become exercisable in connection with the consummation of the transactions contemplated by the Merger Agreement or the support agreement. Under the support agreement, Belmond Holdings has agreed to not to sell or transfer any of its class B common shares and to vote all against any competing acquisition proposal to the sale to LVMH (the "Support Agreement"). If the merger is completed, the rights will expire and cease to exist immediately prior to the effective time of the merger.

These anti-takeover provisions are in addition to the ability of Belmond Holdings and directors and officers of the Company to vote shares representing a significant majority of the total voting power of the Company's common shares, subject to the obligations of Belmond Holdings under the Support Agreement to vote against certain competing proposals. See the risk factor immediately above and Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Voting Control of the Company; Changes in Control.

A judgment of a United States court for liabilities under the U.S. securities laws might not be enforceable in Bermuda, or an original action might not be brought in Bermuda against the Company for liabilities under U.S. securities laws.

The Company is incorporated in Bermuda, a majority of its directors or executive officers are not U.S. citizens or residents, and most of its assets and the assets of its directors and officers are located outside the United States. As a result, it may be difficult for shareholders to:

• effect service of process within the United States upon the Company or its directors and officers, or

• enforce judgments obtained in United States courts against the Company or its directors and officers based upon the civil liability provisions of the United States federal securities laws.

Belmond has been advised by its Bermuda legal counsel that there is doubt as to:

• whether a judgment of a United States court based solely upon the civil liability provisions of the United States federal securities laws would be enforceable in Bermuda against the Company or its directors and officers, and

• whether an original action could be brought in Bermuda against the Company or its directors and officers to enforce liabilities based solely upon the United States federal securities laws.

### ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

As described in Item 1—Business, Belmond owns, partially-owns and/or operates 46 properties, consisting of 36 highly individual deluxe hotels, 30 of which are owned, four European tourist trains, one cruise ship in Myanmar, one French canal cruise business consisting of seven small canal boats, and one stand-alone restaurant in the United States.

Belmond also owns interests of 50% or less in five hotels in Peru (including three under long-term lease), its Southeast Asian train and PeruRail (including the Belmond Andean Explorer train in Peru). The corporate office and regional sales, marketing and operating offices of the hotels, trains and cruise businesses are occupied under operating leases.

ITEM 3. Legal Proceedings

## Table of Contents

Except as described below, there are no material legal proceedings, other than ordinary routine litigation incidental to Belmond's business, to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

### Belmond Copacabana Palace

As previously reported, in February 2013, the State of Rio de Janeiro Court of Justice affirmed a 2011 decision of a Rio state trial court against Sea Containers Ltd ("SCL") in lawsuits brought against SCL by minority shareholders in Companhia Hoteis Palace ("CHP"), the company that owns the Copacabana Palace, relating to the recapitalization of CHP in 1995, but reduced the total award against SCL to approximately \$27,000,000. SCL further appealed the judgments during the second quarter of 2013 to the Superior Court of Justice in Brasilia. SCL sold its shares in CHP to the Company in 2000. Years later, in 2006, SCL entered insolvency proceedings in the U.S. and Bermuda that are continuing in Bermuda. Possible claims could be asserted against the Company or CHP in connection with this Brazilian litigation, although no claims have been asserted to date.

As a precautionary measure to defend the hotel, CHP commenced a declaratory lawsuit in the Rio state court in December 2013 seeking judicial declarations that no fraud was committed against the SCL plaintiffs when the shares in CHP were sold to the Company in 2000 and that the sale of the shares did not render SCL insolvent. Pending rulings on those declarations, the court granted CHP an injunction preventing the SCL plaintiffs from provisionally enforcing their 2011 judgments against CHP, which judgment was subsequently reversed on appeal in May 2014. In September 2014, CHP sought reconsideration from the appellate court of this decision, but the court dismissed its request, resulting in the return of the declaratory lawsuit proceedings to the Rio State Court.

Management cannot estimate the range of possible loss if the SCL plaintiffs assert claims against the Company or CHP, and Belmond has made no reserves in respect of this matter. If any such claims were brought, Belmond would continue to defend its interests vigorously. See Note 21 to the Financial Statements (Item 8).

### Ubud Hanging Gardens

In November 2013, the third-party owner of Ubud Hanging Gardens in Bali, Indonesia dispossessed Belmond from the hotel under long-term lease without prior notice. As a result, Belmond was unable to continue operating the hotel and, accordingly, to prevent any confusion to its guests, Belmond ceased referring to the property in its sales and marketing materials, including all electronic marketing.

Belmond believed that the owner's actions were unlawful and in breach of the lease arrangement and constituted a wrongful dispossession. Belmond pursued its legal remedies through arbitration proceedings required under the lease. In June 2015, a Singapore arbitration panel issued its final award in favor of Belmond, holding that the owner had breached Indonesian law and the lease, and granting monetary damages and costs to the Company in an amount equal to approximately \$8,500,000. Since its receipt of the arbitral award, Belmond has been engaged in the process of enforcing this arbitral award in the Indonesian courts. Starting in April 2014, the Indonesian trial courts have dismissed eight separate actions filed by the owner for lack of jurisdiction due to the arbitration clause in the parties' lease. The owner has appealed five of these decisions, all of which plead variations on the same facts, of which four have been affirmed by the Appellate Court with two of those affirmed by the Indonesian Supreme Court and the other two await a decision by the Indonesian Supreme Court. The fifth case was reversed in favor of the owner on appeal in October 2014 and affirmed by the Indonesian Supreme Court in December 2016. Belmond has sought review for reconsideration by the Supreme Court. In the meantime, Belmond filed with the Central Jakarta District Court in October 2017, as further support for the enforcement of Belmond's arbitral claim, the decisions of four Indonesian trial courts enforcing the arbitration provision under the lease and ruling that the Indonesian courts had no jurisdiction over the parties' 2013 dispute, along with four affirming decisions from the appellate courts and the two from the

Indonesian Supreme Court.

Belmond does not believe there is any merit in the owner's outstanding Indonesian actions and is vigorously defending its rights while it seeks to enforce the Singapore arbitral award. While the Company can give no assurances, it believes that it should ultimately be able to enforce its arbitral award. Given the uncertainty involved in this litigation, Belmond recorded in the year ended December 31, 2013, a non-cash impairment charge in the amount of \$7,031,000 relating to long-lived assets and goodwill of Ubud Hanging Gardens and has not booked a receivable in respect of the award.

As supplemental proceedings to its arbitration claim, Belmond commenced contempt proceedings in the High Court in London, England, where the owner resided, for pursuing the Indonesian proceedings contrary to an earlier High Court injunction, and obtained against the owner in July 2014 a contempt order, which subsequently resulted in the court issuing a committal order of imprisonment for 120 days. The owner left England before the court order was issued and has not yet served the sentence. See Notes 6 and 21 to the Financial Statements.

## Table of Contents

### Belmond Hotel das Cataratas

In September 2014, the Brazilian Ministry of Planning, Budget and Management notified the Company that it was denying the Company's application to extend the term or reduce the rent under the lease for Belmond Hotel das Cataratas, which was entered into in 2007. Belmond had applied for the amendment in 2009 based on its claim that it suffered additional unanticipated and/or unforeseeable costs in performing the refurbishment of the hotel as required by the lease and related tender documentation in order to raise the standard of the property to a five star luxury standard.

Prior to August 2014, with the agreement of the Ministry, the Company had been paying the base annual rent without an annual adjustment for inflation as provided for in the lease, pending resolution of Belmond's application. Throughout this period, the Company had expensed the full rental amount and has fully accrued the difference between the rental charge and the amount actually paid. Based on the Ministry's decision denying any relief, the Ministry directed the Company that it would henceforth assess rent at the contractual rate, which has been included in the table of future rental payments as at December 31, 2018, and that it was required to pay the difference between the contractual rent and the rent that had been actually paid. On March 20, 2015, the Ministry provided notice to the hotel that an aggregate amount of approximately R\$17,000,000 (\$4,387,000) was due on March 31, 2015 as a result of its rejection of any relief sought by Belmond.

The Company appealed to the Ministry to reconsider its decision on both procedural and substantive grounds. Pending this requested reconsideration and exhaustion of administrative remedies, the Company did not pay to the Ministry the amount claimed. The Company filed a lawsuit in the Federal Court in Paraná State in August 2016 against the Government of Brazil regarding the Ministry's failure to properly consider and modify the lease concession for Belmond Hotel das Cataratas. The Federal Court granted the Company's request for an injunction against the Government enforcing its claim and granted the Company's request for a 25% preliminary reduction in rent, pending a decision on the merits, which the Superior Court upheld on appeal in a decision rendered in September 2016. The Government appealed to a three-judge panel of the Superior Court, which upheld the decision of the Federal Court in favor of the Company in a judgment rendered in January 2017.

In October 2017, the Federal Court issued a decision on the merits denying in part the Company's claim for modification of the lease concession. The Court ruled although the lease is an administration agreement rather than a simple commercial lease, the Company had not overcome its burden of proof to show that a modification was justified. The Court further ordered that the Company must pay the stated rent in the lease rather than the reduced rent set by the Federal Court in September 2016. The Court also revoked the injunction issued in September 2016 that had been subsequently affirmed on appeal prohibiting the Federal Government from pursuing a claim against the Company to recover the difference between the stated lease rent and the amounts the Company actually paid during the period from 2009 to 2014. The Company appealed this decision and requested injunctive relief enjoining the Government from enforcing the decision of the Federal Court pending a hearing on the appeal. In December 2017, the Federal Superior Court denied the Company's request for an injunction and affirmed the lower court's partial decision of the merits.

On April 25, 2018, a Federal Superior Court panel of three judges reversed the prior Superior Court's decision in Belmond's favor on all counts, so that the injunction against the Federal Government remains in place and the rent reduction was reinstated on a prospective basis. As a result, the Federal Government cannot seek to enforce its claim for the allegedly unpaid lease obligations. Nonetheless, the Company has reserved against this claim, and this accrual as at December 31, 2018 totaled R\$29,272,000 (\$7,554,000). The Company intends to continue to vigorously contest this litigation, which has been remanded to the first instance court for a trial on the merits.

### Belmond Miraflores Park Hotel



The Company is contesting a claim against Belmond Miraflores Park Hotel (“BMP”) by the municipality of Miraflores in Lima, Peru, where BMP is located. The municipality alleges that BMP has generated noise and vibrations in violation of municipal nuisance ordinances resulting in the disturbance of certain apartment owners in an adjoining residential building. The local administrative court ruled in favor of the municipality, and levied a nominal fine and issued an order for injunctive relief that included the potential closure of BMP pending the elimination of the noise and vibrations. In March 2016, after the administrative court’s ruling was affirmed at the trial court and subsequently, the appellate court level, BMP appealed to the Supreme Court of Peru. Enforcement of the ruling of the appellate court has been stayed pending the Supreme Court appeal. In June 2017, the Supreme Court issued a decision accepting BMP’s appeal rather than, as BMP had expected, summarily affirming the appellate court decision. On November 14, 2018, the Supreme Court decided the appeal in BMP's favor on the basis that municipal ordinances may be impermissibly vague and remanded the case to the administrative court. Management believes that the administrative court is likely to find that BMP could not properly be found in violation of the ordinances and dismiss the case; however, even if the administrative court reiterates its prior ruling that BMP has violated the ordinances, the Company believes that risk of closure of BMP is remote because BMP will have completed its planned remediation by the time of any such ruling and expects to be in

## Table of Contents

compliance with municipal nuisance ordinances to the extent that they are applicable at that time. BMP has other alternatives that it could pursue to resolve this matter if BMP is not compliant by the time of the Supreme Court decision. Accordingly, management does not believe that a material loss is probable and no accrual has been made in respect of this matter.

### "Cipriani" Trademark

In May 2010, after prevailing in litigation at the trial and appellate court levels, Belmond settled litigation in the United Kingdom for infringement of its U.K. and Community (European wide) registrations for the "Cipriani" trademark. Defendants paid the amount of \$3,947,000 to Belmond in March 2010 with the balance of \$9,833,000 being payable in installments over five years with interest. Belmond received the final payment in the amount of \$1,178,000 in June 2015.

Subsequent to Belmond's success before the U.K. courts, there have arisen a number of European trademark opposition and infringement cases relating to Belmond "Cipriani" and "Hotel Cipriani" Community trademarks. These include an ongoing invalidity action filed by Arrigo Cipriani and related family companies (the "Family Parties") in the European Trade Mark Office against Belmond's "Cipriani" Community trademark. To date, Belmond has successfully rebutted this challenge at every level of administrative appeal, including before the EU General Court in Luxembourg which issued a decision in June 2017 dismissing the Family Parties' appeal and ordering that appellant pay the costs of the court and the Company, and most recently in a decision on March 1, 2018, the EU General Court denied the Family Parties' right to register a "Cipriani" Community trademark in the trademark class for drinks and beverages due to its likelihood to lead to confusion with Belmond's registered "Cipriani" Community trademarks in the trademark class for hotels and restaurants. Belmond has also recently been successful in securing the cancellation in Portugal of a trademark application filed by a Family Party for "Cipriani". In addition, Belmond has been successful in obtaining cancellations of "Cipriani" trademark applications made by a Family Party in Russia, although the Family Party has recently commenced another action opposing Belmond's "Cipriani" trademarks in Russia, which the Company intends to vigorously defend.

In addition, there are a number of ongoing trademark disputes with the Family Parties in Italy: in January 2015, the Cipriani family and affiliated entities commenced proceedings against Belmond in the Court of Venice, asserting that a 1967 agreement pursuant to which the family sold their interest in the Hotel Cipriani constituted a coexistence agreement allowing both the Company to use "Hotel Cipriani", and the Cipriani family to use "Cipriani". In November 2017, the Court rejected the family's complaint and awarded costs to the Company. This decision was not subsequently appealed. In August 2015, pursuant to a separate claim filed by the Cipriani family, the Court of Venice ruled in favor of the Cipriani family, determining that its use of the full name (rather than just an initial with the family's surname), would not constitute infringement of the Company's registered trademark. This ruling was overturned on appeal in favor of the Company in November 2017. The Cipriani family appealed this decision before the Italian Supreme Court, and in a separate filing to the appellate court requested the reconsideration of that court's decision. At the same time, the Company requested reconsideration of the dismissal by the appellate court of the Company's request that Italian trademarks relating to restaurant services filed by the Cipriani family be revoked for non-use. On November 13, 2018, the appellate court denied the Company's request and on January 5, 2019, it denied the Cipriani family's appeal. While Belmond intends to appeal the decision before the Supreme Court and believes it has a meritorious case, Belmond cannot estimate the range of possible additional loss if it should not prevail in this matter and Belmond has made no accruals in respect of the matter. Separate proceedings brought by Belmond in Spain to defend Belmond's marks against a use by the Cipriani family and its affiliated entities of "Cipriani" to promote a restaurant have been stayed pending the outcome of the Venice appeal.

### Belmond Sanctuary Lodge

On November 28, 2017, Peru Belmond Hotels S.A., the Peruvian hotel joint venture in which the Company holds a 50% interest ("PBH"), received notification of a complaint filed with the Court of Cusco by the Regional Government of Cusco seeking the annulment of the ten-year extension of the Belmond Sanctuary Lodge concession that commenced in May 2015. The Regional Government alleges that the President of the Region at the time of the execution of the extension did not have the sole authority to bind the Regional Government. This lawsuit is substantially similar to a complaint filed by the Regional Government against PBH in January 2015 that was dismissed by the Court of Cusco and, upon appeal by the Regional Government, was affirmed by the Superior Court of Cusco in favor of PBH in June 2016. The Company does not believe that there is any merit to the Regional Government's complaint.

#### Other

The Company and certain of its subsidiaries are parties to various legal proceedings arising in the normal course of business. These proceedings generally include matters relating to labor disputes, tax claims, personal injury cases, lease negotiations and ownership disputes. The outcome of each of these matters cannot be determined with certainty, and the liability that the relevant parties may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued for with respect to these matters. Where a reasonable estimate can be made, the additional losses or

Table of Contents

range of loss that may be incurred in excess of the amount recognized from the various legal proceedings arising in the normal course of business are disclosed separately for each claim, including a reference to where it is disclosed. However, for certain of the legal proceedings, management is unable to estimate the loss or range of loss that may result from these claims due to the highly complex nature or early stage of the legal proceedings.

ITEM 4. Mine Safety Disclosures

None.

35

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Table of Contents

## PART II

## ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The class A common shares of the Company are traded on the New York Stock Exchange under the symbol BEL. All of the class B common shares of the Company are owned by a subsidiary of the Company and are not listed. See Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The Islands of Bermuda where the Company is incorporated have no applicable government fiscal or monetary laws, decrees or regulations which restrict the export or import of capital or affect the payment of dividends or other distributions specifically to nonresident holders of the class A and B common shares of the Company or which subject United States holders to taxes. The Company's ability to pay dividends is limited by its credit agreement.

At February 15, 2019, there were 183 record holders of the class A common shares of the Company.

During 2018, the Company made no offering of securities including its class A common shares that was not registered in the United States.

Information responding to Item 201(e) of SEC Regulation S-K is omitted because the Company is a “foreign private issuer” as defined in SEC Rule 3b-4 under the 1934 Act.

## ITEM 6. Selected Financial Data

## Belmond Ltd. and Subsidiaries

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Revenue	576,836	560,999	549,824	551,385	585,715
Impairments <sup>(1)</sup>	(9,650 )	(13,716 )	(1,007 )	(9,796 )	(1,211 )
Gain/(loss) on disposal of property, plant and equipment and equity method investments <sup>(2)</sup>	750	(153 )	938	20,275	4,128
Earnings/(losses) from unconsolidated companies, net of tax <sup>(3)</sup>	9,355	(10,213 )	11,013	9,075	9,484
(Losses)/earnings from continuing operations	(28,242 )	(45,070 )	35,401	17,388	2,047
Net (losses)/earnings from discontinued operations, net of tax <sup>(4)</sup>	(10 )	122	1,032	(1,534 )	(3,782 )
Net (losses)/earnings	(28,252 )	(44,948 )	36,433	15,854	(1,735 )
Net (earnings)/losses attributable to non-controlling interests	(204 )	(87 )	(109 )	411	(145 )
Net (losses)/earnings attributable to Belmond Ltd.	(28,456 )	(45,035 )	36,324	16,265	(1,880 )



Table of Contents

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Basic earnings per share:					
(Losses)/earnings from continuing operations	(0.27)	(0.44)	0.35	0.17	0.02
Net earnings/(losses) from discontinued operations	—	—	0.01	(0.01)	(0.04)
Basic net (losses)/earnings per share attributable to Belmond Ltd.	(0.28)	(0.44)	0.36	0.16	(0.02)
Diluted earnings per share:					
(Losses)/earnings from continuing operations	(0.27)	(0.44)	0.34	0.17	0.02
Net earnings/(losses) from discontinued operations	—	—	0.01	(0.01)	(0.04)
Diluted net (losses)/earnings per share attributable to Belmond Ltd.	(0.28)	(0.44)	0.35	0.16	(0.02)
Dividends per share	—	—	—	—	—
	2018	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	1,675,808	1,653,637	1,524,068	1,509,475	1,655,223
Total long-term debt and obligations under capital leases	759,978	707,159	591,052	582,892	604,689
Total shareholders' equity	639,512	698,546	686,450	658,064	761,186

The above selected financial data should be read in conjunction with the information set forth under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes (Item 8).

The impairments in 2018 consisted of impairment of property, plant and equipment of \$2,291,000 at Belmond Road to Mandalay and \$2,484,000 at Belmond Governor's Residence, impairment of goodwill of \$2,195,000 at (1) Belmond Governor's Residence, \$1,548,000 at Belmond La Résidence d'Angkor, \$819,000 at Belmond Villa San Michele and \$157,000 at Belmond Castello di Casole, and a favorable lease asset impairment of \$156,000 at Belmond Governor's Residence.

The impairment in 2017 consisted of impairment of property, plant and equipment of \$7,124,000 at Belmond Road to Mandalay and \$1,092,000 at Belmond Northern Belle and impairment of goodwill of \$5,500,000 at Belmond Cap Juluca.

The impairment in 2016 consisted of impairment of property, plant and equipment of \$1,007,000 at Belmond Orcaella.

The impairment in 2015 consisted of impairment of goodwill of \$4,098,000 at Belmond Grand Hotel Europe, \$3,581,000 at Belmond Jimbaran Puri, \$1,455,000 at Belmond La Résidence Phou Vao and \$662,000 at Belmond Northern Belle.

The impairment in 2014 consisted of impairment of property, plant and equipment of \$1,211,000 relating to the write-down to fair value of train carriages of Belmond's former Great South Pacific Express train, which were held in Australia and were not in service.

- (2) The 2018 gain was related to the recognition of the deferred gain in relation to the sale of Inn at Perry Cabin by Belmond in March 2014.



Table of Contents

The 2017 loss was related to the sale of the shares in Northern Belle Limited offset by the recognition of the deferred gain in relation to the sale of Inn at Perry Cabin by Belmond in March 2014.

The 2016 gain was related to the gain on sale of the spa building at Belmond Casa de Sierra Nevada and the recognition of the deferred gain in relation to the sale of Inn at Perry Cabin by Belmond in March 2014.

The 2015 gain was related to the sale of Belmond's 50% ownership in Hotel Ritz by Belmond in May 2015 and the recognition of the deferred gain in relation to the sale of Inn at Perry Cabin by Belmond in March 2014.

The 2014 gain was related to the sale of the property and operations of Inn at Perry Cabin by Belmond in March 2014. Due to Belmond's continuing involvement in managing the hotel, its results are presented within continuing operations.

The 2018 losses from unconsolidated companies, net of tax, include \$2,074,000, Belmond's equity share of an (3)impairment charge recorded in Belmond Las Casitas del Colca, one of the five hotels owned by PBH, the Peruvian joint venture.

The 2017 losses from unconsolidated companies, net of tax, include \$29,266,000, Belmond's equity share of an impairment charge recorded in Ferrocarril Transandino S.A. ("FTSA"), the Company's joint venture that has a concession from the Government of Peru to operate the track network in southern and southeastern Peru.

(4) The results of Ubud Hanging Gardens and Porto Cupecoy have been presented as discontinued operations for all periods presented.

## Table of Contents

### ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Introduction

Belmond currently owns, partially-owns or manages 46 properties (including the Belmond Cadogan Hotel in London, England, which opened on February 28, 2019).

Belmond has six reportable segments: owned hotels in (1) Europe, (2) North America (including one stand-alone restaurant) and (3) Rest of world, (4) Owned trains and cruises, (5) Part-owned/ managed hotels and (6) Part-owned/ managed trains.

Hotels represent the largest part of Belmond's business with the vast majority of the Company's revenues in 2018, 2017, and 2016, respectively, derived primarily from the Europe, North America and Rest of world segments.

Hotels consists of 30 deluxe hotels which were wholly or majority owned by Belmond or, in the case of Belmond Charleston Place, owned by a consolidated variable interest entity. Twelve of the owned hotels are located in Europe, six in North America and twelve in the rest of the world. In addition, Belmond owns and operates the stand-alone restaurant '21' Club in New York which is included within the North America owned hotels segment. In May 2017, the Company acquired Cap Juluca, now rebranded as Belmond Cap Juluca, a 108-key resort on the Caribbean island of Anguilla, British West Indies. In February 2018, the Company acquired the Castello di Casole resort and estate in Tuscany, Italy. See Note 5 to the Financial Statements.

Belmond's part-owned/managed segment consists of six hotels which Belmond operates under management contracts in Peru and the United States. Belmond has unconsolidated equity interests in five of the managed hotels. In April 2017, the Company acquired Las Casitas del Colca, a 20-key hotel in Colca Canyon, Peru, through Peru Belmond Hotels ("PBH").

In recent years, Belmond has sold to third parties a number of properties not considered key to Belmond's portfolio of unique, high-valued properties as part of management's long-term strategy to reduce leverage and redeploy the capital in properties with higher potential returns.

Belmond's owned trains and cruises segment consists of four European tourist trains, one river cruise ship in Myanmar and one French canal cruise business. In August 2016, the Company commenced the operations of Belmond Grand Hibernian, the first luxury overnight train traveling throughout the island of Ireland. On November 2, 2017, Belmond sold its interest in the entity that wholly owned Belmond Northern Belle and on November 6, 2017, the entity that leased Belmond Orcaella provided notice of termination to the owner in respect of its charter agreement, which resulted in a dispute that the parties resolved under a settlement agreement dated January 22, 2019.

Belmond's part-owned/managed trains segment consists of three train businesses in Southeast Asia and Peru which Belmond operates under management contracts. Belmond has unconsolidated equity interests in each of these train businesses. In May 2017, the Company launched, through Peru Rail, the Belmond Andean Explorer luxury sleeper train, located in Peru.

#### Sale to LVMH

On December 14, 2018, the Company announced that it had entered into an Agreement and Plan of Merger dated December 13, 2018 (the "Merger Agreement") with LVMH Moët Hennessy—Louis Vuitton SE ("LVMH"), Palladio Overseas Holding Limited, an indirect, wholly-owned subsidiary of LVMH ("Holding"), and Fenice Ltd., a

wholly-owned subsidiary of Holding ("Merger Sub"), pursuant to which LVMH will acquire the Company. Under the Merger Agreement, the sale to LVMH will be effected by way of a merger of Merger Sub with and into the Company, with the Company being the surviving company in the merger and becoming a subsidiary of Holding.

The completion of the merger, which is expected to occur in the first half of 2019, is subject to the satisfaction or waiver of certain conditions, including the receipt of antitrust approvals in certain foreign jurisdictions and the absence of any law or governmental order prohibiting the merger. The Company held a special general meeting of its shareholders on February 14, 2019 at which time Belmond's shareholders approved the Merger Agreement and the merger. At the effective time of the merger, each issued and outstanding class A common share, par value \$0.01 per share, of the Company, other than class A common shares that are held by the Company in treasury or that are owned by LVMH, Holding or Merger Sub or by any other direct or indirect subsidiary of LVMH or the Company, will be converted automatically and without any action by the holder of the class A common shares into the right to receive \$25.00 per share in cash, without interest (and less any applicable withholding taxes). If the merger is completed, the Company will cease to be a publicly traded company and will become a subsidiary of Holding and an indirect subsidiary of LVMH. For further information on the risks relating to the sale of the Company, see Part 1—Item 1A—Risk Factors—Risks Related to the Sale of the Company. Additional information about the sale, the Merger Agreement and the merger, including

## Table of Contents

circumstances under which the Merger Agreement can be terminated, as well as other terms and conditions, are set forth in the Company's Current Report on Form 8-K filed with the SEC on December 14, 2018.

### Hotel RevPAR, ADR and occupancy

Revenue per available room ("RevPAR") is calculated by dividing room revenue by room nights available for the period. Same store RevPAR is a comparison of RevPAR based on the operations of the same units in each period, by excluding the effect of any hotel acquisitions in the period or major refurbishment where a property is closed for a month or longer. The comparison also excludes the effect of dispositions (including discontinued operations) or closures. Management uses RevPAR and same store RevPAR to identify trend information with respect to room revenue and to evaluate the performance of a specific hotel or group of hotels in a given period.

Average daily rate ("ADR") is calculated by dividing room revenue by total rooms sold for the period. Management uses ADR to measure the level of pricing achieved by a specific hotel or group of hotels in a given period.

Occupancy is calculated by dividing total rooms sold by total rooms available for the period. Occupancy measures the utilization of a hotel's available capacity. Management uses occupancy to measure demand at a specific hotel or group of hotels in a given period.

ADR and RevPAR are measures for a point in time (a day, month or year) and are most often compared across like time periods. Current ADR and RevPAR are not necessarily indicators of future performance.

In 2018, same store RevPAR increased by 5% in U.S. dollars and 5% in constant currency. Average occupancy was 61% and ADR was \$534. In 2017, same store RevPAR increased by 5% in U.S. dollars and 1% when measured in constant currency. Average occupancy was 61% and ADR was \$510.

### Business strategy

Subject to the constraints imposed by the Merger Agreement, Belmond plans to grow the business in the long term by:

- driving top- and bottom-line growth at the Company's existing businesses,

- continuing the Company's efforts to build brand awareness, and

- positioning the Company for footprint expansion.

For additional information, see "Management Strategies" in Item 1—Business.

### Revenue and expenses

Belmond derives revenue from owned hotel operations primarily from the sale of rooms and the provision of food and beverages. The main factors for analyzing rooms revenue are the number of room nights sold, or occupancy, ADR, and RevPAR, referred to above which is a measure of both these factors.

The revenue from the owned trains and cruises segment primarily comprises tickets sold for travel and food and beverage sales.

Revenue from part-owned/ managed hotels and trains includes fees received under management contracts, which are typically based upon a combination of a percentage of the revenue from operations and operating earnings calculated

before specified fixed charges.

Cost of services includes labor, repairs and maintenance, energy and the costs of food and beverages sold to customers in respect of owned hotels, trains and cruises.

Selling, general and administrative expenses include travel agents' commissions, the salaries and related costs of the sales teams, advertising and public relations costs, and the salaries and related costs of management.

Depreciation and amortization includes depreciation of owned hotels, trains and cruises.

## Table of Contents

### Impact of foreign currency exchange rate movements

As reported below in the comparisons of the 2018, 2017 and 2016 financial years under “Results of Operations”, Belmond has exposure arising from the impact of translating its global foreign currency earnings and expenses into U.S. dollars. Twelve of Belmond’s owned properties in 2018 operated in European euro territories, two in Brazilian real, one in South African rand, four in British pounds sterling, three in Botswana pula, two in Mexican peso, one in Peruvian nuevo sol, one in Russian ruble and six in various Southeast Asian currencies. Revenue derived by Venice Simplon-Orient-Express was recorded primarily in British pounds sterling, but its operating costs were mainly denominated in euros. Revenue derived by Belmond Maroma Resort and Spa, Belmond La Samanna and Belmond Miraflores Park was recorded in U.S. dollars, but the majority of the hotels’ expenses were denominated in Mexican pesos, European euros and Peruvian nuevo soles, respectively. Both revenue and the majority of expenses for Belmond Cap Juluca, Belmond Governor's Residence, Belmond La Résidence D'Angkor and Belmond Road to Mandalay were recorded in U.S. dollars.

Except for the specific instances described above, Belmond’s properties match foreign currency earnings and costs as far as possible to provide a natural hedge against currency movements. The reporting of Belmond’s revenue and costs translated into U.S. dollars, however, can be materially affected by foreign exchange rate fluctuations from period to period.

### Constant currency

Belmond analyzes certain key financial measures on a constant currency basis as this helps identify underlying business trends, without distortion from the effects of currency movements. Measurement on a constant currency basis means the results exclude the effect of foreign currency translation and are calculated by translating prior year results at current year exchange rates.

### Market capitalization

The Company’s class A common share price increased during 2018 to \$25.03 at December 31, 2018, from \$12.25 at December 31, 2017 and Belmond’s market capitalization increased to \$2.58 billion at December 31, 2018, from \$1.25 billion at December 31, 2017.

Table of Contents

## Results of Operations

Operating information for Belmond's owned hotels for the years ended December 31, 2018, 2017 and 2016 is as follows:

Year ended December 31,	2018	2017	2016
Rooms Available			
Europe	288,519	273,756	271,963
North America	231,875	255,862	256,726
Rest of world	372,678	374,478	376,952
Worldwide	893,072	904,096	905,641
Rooms Sold			
Europe	181,465	176,129	175,060
North America	160,267	171,906	171,392
Rest of world	204,013	200,537	204,944
Worldwide	545,745	548,572	551,396
Occupancy (percentage)			
Europe	63	64	64
North America	69	67	67
Rest of world	55	54	54
Worldwide	61	61	61
Average daily rate (in U.S. dollars)			
Europe	812	740	676
North America	430	426	421
Rest of world	368	380	388
Worldwide	534	510	490
RevPAR (in U.S. dollars)			
Europe	511	476	435
North America	297	286	281
Rest of world	201	203	211
Worldwide	326	309	298

Table of Contents

## 2018 compared to 2017

Year ended December 31,	2018	2017	Change %			
			Dollars	Constant	currency	
Same Store RevPAR (in U.S. dollars)						
Europe	510	476	7	%	4	%
North America	286	272	5	%	5	%
Rest of world	200	203	(1)	%	4	%
Worldwide	321	307	5	%	5	%

Same store RevPAR data for 2018 and 2017 excludes the operations of Belmond Castello di Casole, Tuscany, Italy that was acquired in February 2018. Its operations are included in the Europe segment. It also excludes the operations of Belmond Cap Juluca, Anguilla, British West Indies, which was acquired in May 2017 and Belmond La Samanna, St Martin, French West Indies, which were both closed for refurbishment following Hurricanes Irma and Jose in September 2017. Both of these operations are included in the North America segment. In addition, same store RevPAR data excludes the operations of Belmond Savute Elephant Lodge, Chobe Reserve, Botswana, which was closed for refurbishment from November 2017 to June 2018. Its operations are included in the Rest of world segment.

## 2017 compared to 2016

Year ended December 31,	2017	2016	Change %			
			Dollars	Constant	currency	
Same Store RevPAR (in U.S. dollars)						
Europe	476	435	9 %	6 %		
North America	272	254	7 %	7 %		
Rest of world	207	218	(5) %	(11) %		
Worldwide	311	297	5 %	1 %		

Same store RevPAR data for 2017 and 2016 excludes the operations of Belmond Cap Juluca, which was acquired in May 2017 and Belmond La Samanna, which closed for refurbishment following Hurricanes Irma and Jose in September 2017. Both of these operations are included in the North America segment. It also excludes the operations of Belmond Savute Elephant Lodge which closed for refurbishment in November 2017 and Belmond La Résidence d'Angkor, Siem Riep, Cambodia, which closed for refurbishment in May 2016 and reopened in November 2016. Both of these operations are included in the Rest of world segment.



Table of Contents

## Revenue

	2018	2017	2016
Year ended December 31,	\$	\$	\$
	millions	millions	millions

## Revenue:

## Owned hotels:

Europe	238.4	212.4	199.1
North America	132.3	149.3	145.9
Rest of world	122.2	124.2	130.3
Total owned hotels	492.9	485.9	475.3
Owned trains & cruises	70.8	63.2	59.3

Part-owned/managed hotels	2.3	1.0	4.4
Part-owned/managed trains	10.8	10.9	10.8
Total management fees	13.1	11.9	15.2

Revenue	576.8	561.0	549.8
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## 2018 compared to 2017

Revenue was \$576.8 million for the year ended December 31, 2018, an increase of \$15.8 million or 3%, from \$561.0 million for the year ended December 31, 2017. In constant currency, revenue for the year ended December 31, 2018 increased \$14.8 million from the year ended December 31, 2017. Owned hotels revenue was \$492.9 million for the year ended December 31, 2018, an increase of \$7.0 million, or 1%, from \$485.9 million for the year ended December 31, 2017. In constant currency, revenue for owned hotels for the year ended December 31, 2018 increased \$8.0 million or 2% from the year ended December 31, 2017. The increase in owned hotels revenue was primarily due to a \$16.4 million increase across Belmond's Italian portfolio, excluding Belmond Hotel Cipriani, Venice, Italy, which faced a non-Biennale year, and predominantly driven by the introduction of Belmond Castello di Casole, the hotel that was acquired in the first quarter of 2018 and opened under the Belmond flag in May 2018. There was also a \$5.9 million increase at Belmond Hotel das Cataratas, Iguassu Falls, Brazil, following positive media coverage of the destination and the benefit of reduced visa restrictions in the country, a \$3.6 million increase at Belmond Grand Hotel Europe, St. Petersburg, Russia, which benefited from recent capital investments and the football World Cup in July 2018, and a \$2.5 million increase at Belmond Charleston Place, South Carolina, which continues to benefit from the popularity of the destination and enhanced revenue management strategies. This increase was offset by a decline in revenue of \$14.8 million at Belmond La Samanna which was closed for refurbishment for the majority of the twelve months ended December 31, 2018 following damage sustained from the 2017 hurricanes that hit the region, and an \$8.0 million decrease in revenue for '21' Club, New York, which was closed for more than half of the twelve months ended December 31, 2018 following water damage from burst pipes in January 2018. Revenue from owned trains and cruises was \$70.8 million for the year ended December 31, 2018, an increase of \$7.6 million, or 12%, from \$63.2 million for the year ended December 31, 2017. In constant currency, revenue for owned trains and cruises for the year ended December 31, 2018 increased \$5.5 million or 8% from the year ended December 31, 2017 primarily due to a \$9.3 million rise in revenue for the Venice Simplon-Orient-Express, which reported a strong year as it benefited from enhanced revenue management activities, media exposure and recent capital improvements. This increase was offset by the sale of the Belmond Northern Belle in November 2017, which contributed revenue of \$4.2 million in the twelve months ended December 31, 2017.



Table of Contents

## 2017 compared to 2016

Revenue was \$561.0 million for the year ended December 31, 2017, an increase of \$11.2 million, from \$549.8 million for the year ended December 31, 2016. In constant currency, revenue for the year ended December 31, 2017 decreased \$0.6 million from the year ended December 31, 2016. Owned hotels revenue was \$485.9 million for the year ended December 31, 2017, an increase of \$10.6 million, or 2%, from \$475.3 million for the year ended December 31, 2016. In constant currency, revenue for owned hotels for the year ended December 31, 2017 decreased \$3.6 million or 1% from the year ended December 31, 2016. The decrease in owned hotels revenue was primarily due to a \$20.4 million or 28% decrease in revenue for the Company's two Brazilian properties due to a combination of the impact in the year ended December 31, 2017 of political and economic instability in the country and exceptionally high revenue in the year ended December 31, 2016 due to the 2016 Summer Olympic Games held in Rio de Janeiro. This was offset in part by a \$2.8 million or 8% revenue increase at Belmond Hotel Cipriani and a \$2.6 million or 10% revenue increase at Belmond Grand Hotel Europe. Additionally, Belmond Charleston Place recorded revenue growth of \$6.0 million or 8% and Belmond Mount Nelson Hotel, Cape Town, South Africa increased revenue by \$3.2 million or 18%. Belmond Hotel Cipriani benefited from the Biennale Arts Festival which takes place every other year in Venice, and Belmond Grand Hotel Europe's year-over-year growth was primarily due to increased revenue during the annual St. Petersburg International Economic Forum and the 2017 FIFA Confederations Cup. Belmond Charleston Place increased food and beverage revenue as a result of a new high-end sports pub that commenced operations in July 2016 and also an increase in group business. Belmond Mount Nelson Hotel increased occupancy and average room rate following refurbishment of the property that took place in 2016 and 2017. Revenue from owned trains and cruises was \$63.2 million for the year ended December 31, 2017, an increase of \$3.9 million, or 7%, from \$59.3 million for the year ended December 31, 2016. In constant currency, revenue for owned trains and cruises for the year ended December 31, 2017 increased \$6.2 million or 11% from the year ended December 31, 2016 due to a revenue increase of \$4.0 million for Belmond Grand Hibernian, Ireland, as it commenced its first full year of operations and the Belmond Royal Scotsman train which grew revenue by \$2.2 million or 39% as a result of generating higher-revenue charter business and the addition of a spa car and four new berths. Additionally, the Venice Simplon-Orient-Express train reported revenue increases of \$2.0 million driven by promotional activity surrounding the release of the Hollywood movie 'Murder on the Orient Express' and Belmond British Pullman, London, England saw revenue increase by \$1.4 million due to a higher number of charters operated in the year ended December 31, 2017. This was offset by a combined revenue decrease of \$3.4 million at Belmond Road to Mandalay and Belmond Orcaella, the Company's two river cruise ships in Myanmar, as a result of decreased demand for tourism in the destination.

Table of Contents

## Segment performance

Segment performance is evaluated by the chief operating decision maker based upon adjusted EBITDA, which excludes gains/(losses) on disposal, impairments, restructuring and other special items, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization and gains/(losses) on extinguishment of debt. Segment performance for the years 2018, 2017 and 2016 is analyzed as follows:

	2018	2017	2016
Year ended December 31,	\$	\$	\$
	millions	millions	millions
Adjusted EBITDA:			
Owned hotels:			
Europe	79.0	73.7	67.6
North America	38.1	29.8	29.4
Rest of world	24.6	24.5	33.1
Total owned hotels	141.7	128.0	130.1
Owned trains and cruises	13.5	4.4	4.3
Part-owned/managed hotels	7.6	6.8	6.3
Part-owned/managed trains	26.6	24.0	25.9
Total adjusted share of earnings from unconsolidated companies and management fees	34.2	30.8	32.2
Unallocated corporate costs:			
Central costs	(36.5 )	(33.4 )	(30.8 )
Share-based compensation	(6.0 )	(5.8 )	(7.6 )
Adjusted EBITDA	146.9	124.0	128.2

Table of Contents

Year ended December 31,	2018 \$ millions	2017 \$ millions	2016 \$ millions
Reconciliation from (losses)/earnings from continuing operations to adjusted EBITDA:			
(Losses)/earnings from continuing operations	(28.2 )	(45.1 )	35.4
Depreciation and amortization	61.3	62.9	52.4
Gain on extinguishment of debt	—	—	(1.2 )
Interest income	(1.3 )	(1.1 )	(0.9 )
Interest expense	33.0	32.5	29.2
Foreign currency, net	3.8	3.0	(9.2 )
Provision for income taxes	14.0	6.6	16.4
Share of provision for/(benefit from) income taxes of unconsolidated companies	7.1	(4.5 )	5.7
	89.7	54.3	127.7
Insurance gains and deductibles	(11.6 )	1.5	
Labor restructuring cost <sup>(1)</sup>	13.9	—	—
Net operating losses at two Caribbean properties while closed	15.0	3.8	—
Cost to terminate right of first refusal and purchase option <sup>(2)</sup>	13.0	—	—
Strategic review costs <sup>(3)</sup>	8.5	—	—
Other restructuring and special items <sup>(4)</sup>	6.4	6.4	0.4
Acquisition-related costs <sup>(5)</sup>	0.9	14.0	—
(Gain)/loss on disposal of property, plant and equipment	(0.8 )	0.2	(0.9 )
Loss on disposal of property, plant and equipment in unconsolidated companies	0.2	—	—
Impairment of goodwill, property, plant and equipment and other assets <sup>(6)</sup>	9.7	13.7	1.0
Impairment of assets in unconsolidated companies <sup>(7)</sup>	2.1	30.1	—
Adjusted EBITDA	146.9	124.0	128.2

(1) Represents charges for employee termination costs and other associated costs to restructure the Company's labor force at Belmond La Samanna.

(2) Represents estimated costs to terminate purchase rights previously held by Mr. James Sherwood, a former director of the Company, in respect of the Belmond Hotel Cipriani. See Note 23 to the Financial Statements.

(3) Represents legal, professional and other internal costs in relation to the Company's strategic review.

(4) Represents costs in relation to restructuring, severance and redundancy costs, pre-opening costs, and other items, net.

(5) Represents acquisition fees in relation to the purchase of Castello di Casole in February 2018 and Cap Juluca in May 2017.

(6) Represents an impairment charge at five, three and one owned properties in the years ended 31 December 2018, 2017 and 2016, respectively.

(7) Represents an impairment charge at one of the Company's Peru unconsolidated hotels and PeruRail unconsolidated company in the years ended December 2018 and 2017, respectively.

Table of Contents

## Owned hotels - Europe

Year ended December 31,	2018	2017	2016
Rooms Available	288,519	273,756	271,963
Rooms Sold	181,465	176,129	175,060
Occupancy (percentage)	63	64	64
Average daily rate (in U.S. dollars)	812	740	676
RevPAR (in U.S. dollars)	511	476	435
			Change %
Year ended December 31,	2018	2017	Dollars Constant currency
Same Store RevPAR (in U.S. dollars)	510	476	7 % 4 %
			Change %
Year ended December 31,	2017	2016	Dollars Constant currency
Same Store RevPAR (in U.S. dollars)	476	435	9 % 6 %

## 2018 compared to 2017

Revenue was \$238.4 million for the year ended December 31, 2018, an increase of \$26.0 million, or 12%, from \$212.4 million for the year ended December 31, 2017. In constant currency, revenue for the region for the year ended December 31, 2018 increased \$19.6 million, or 9%, due to growth across the portfolio, with the exception of Belmond Hotel Cipriani, which is in a non-biennale year. This growth was led by increases of \$8.8 million at Belmond Castello di Casole, which was acquired in the first quarter of 2018 and was opened under the Belmond flag in May, \$4.1 million at Belmond Grand Hotel Timeo, Taormina, Sicily which remained open for the full year ended December 31, 2018 for the first time to capitalize on a strong season, and \$3.6 million at Belmond Grand Hotel Europe which benefited from recent capital investments and the football World Cup in July. ADR in U.S. dollar terms for the European owned hotels segment increased to \$812 in the year ended December 31, 2018 from \$740 in the year ended December 31, 2017. Occupancy decreased to 63% in the year ended December 31, 2018 from 64% in the year ended December 31, 2017. Same store RevPAR increased by 7% in U.S. dollars, to \$510 in the year ended December 31, 2018 from \$476 in the year ended December 31, 2017, an increase of 4% on a constant currency basis.

Adjusted EBITDA for the region for the year ended December 31, 2018 of \$79.0 million represented an increase of \$5.3 million, or 7%, from adjusted EBITDA of \$73.7 million for the year ended December 31, 2017. In constant currency, adjusted EBITDA for the region for the year ended December 31, 2018 increased \$3.0 million or 4% from the year ended December 31, 2017. This was driven by an adjusted EBITDA increase of \$1.9 million at Belmond Grand Hotel Timeo, a \$1.4 million increase at Belmond Grand Hotel Europe, and a \$0.8 million increase at Belmond Le Manoir aux Quat'Saisons, Oxfordshire, United Kingdom, due to an improved rate strategy and cost control, offset by a \$1.2 million decrease at Belmond Hotel Cipriani. As a percentage of European owned hotels revenue, adjusted EBITDA was 33% for the year ended December 31, 2018 compared to 35% for the year ended December 31, 2017.

## 2017 compared to 2016

Revenue was \$212.4 million for the year ended December 31, 2017, an increase of \$13.3 million from \$199.1 million for the year ended December 31, 2016. In constant currency, revenue for the region for the year ended December 31, 2017 increased \$8.1 million, or 4%, primarily due to a \$5.6 million or 5% revenue increase for the Company's Italian hotels and a \$2.6 million or 10% increase at Belmond Grand Hotel Europe. Revenue growth for the Company's Italian

hotels was largely driven by the performance of Belmond Hotel Cipriani which benefited from the Biennale Arts Festival, which takes place every other year in Venice, and Belmond Hotel Splendido, Portofino, Italy which saw an increase in rates year-over-year following the addition of balconies to twelve of its rooms in March 2017. At Belmond Grand Hotel Europe, revenue increased during the annual St. Petersburg International Economic Forum and the 2017 FIFA Confederations Cup. ADR in U.S. dollar terms for the European owned hotels segment increased to \$740 in the year ended December 31, 2017 from \$676 in the year ended December 31, 2016. Occupancy remained flat at 64% in the year ended December 31, 2017 and December 31, 2016. Same store RevPAR increased by 9% in U.S. dollars, to \$476 in the year ended December 31, 2017 from \$435 in the year ended December 31, 2016.

Table of Contents

Adjusted EBITDA for the region for the year ended December 31, 2017 of \$73.7 million represented an increase of \$6.1 million, or 9%, from adjusted EBITDA of \$67.6 million for the year ended December 31, 2016. In constant currency, adjusted EBITDA for the region for the year ended December 31, 2017 increased \$4.4 million or 6% from the from the year ended December 31, 2016 primarily due to increases in adjusted EBITDA of \$2.2 million or 32% at Belmond Grand Hotel Europe and \$1.2 million or 11% at Belmond Hotel Cipriani. As a percentage of European owned hotels revenue, adjusted EBITDA increased slightly to 35% for the year ended December 31, 2017 compared to 34% for the year ended December 31, 2016.

## Owned hotels - North America

Year ended December 31,	2018	2017	2016
Rooms Available	231,875	255,862	256,726
Rooms Sold	160,267	171,906	171,392
Occupancy (percentage)	69	67	67
Average daily rate (in U.S. dollars)	430	426	421
RevPAR (in U.S. dollars)	297	286	281
		Change %	
Year ended December 31,	2018	2017	Dollars Constant currency
Same Store RevPAR (in U.S. dollars)	286	272	5 % 5 %
		Change %	
Year ended December 31,	2017	2016	Dollars Constant currency
Same Store RevPAR (in U.S. dollars)	272	254	7 % 7 %

## 2018 compared to 2017

Revenue was \$132.3 million for the year ended December 31, 2018, a decrease of \$17.0 million, or 11%, from \$149.3 million for the year ended December 31, 2017. In constant currency, revenue for the region for the year ended December 31, 2018 decreased \$16.9 million or 11% from the year ended December 31, 2017. The decrease is attributable to a \$14.8 million fall in revenue at Belmond La Samanna, which was closed for the majority of the twelve months ended December 31, 2018 following damage sustained from the 2017 hurricanes that hit the region, and an \$8.0 fall in revenue at '21' Club after it was closed for more than half of the twelve months ended December 31, 2018 following water damage from burst pipes in January. This decline was offset by improvements in the twelve months ended December 31, 2018 of \$2.5 million Belmond Charleston Place, which benefited from an increased ADR following enhanced revenue management activities and the positive effects of recent capital investment in the property, and \$ 2.1 million at Belmond El Encanto, Santa Barbara, which faced reduced competition as two competitor hotels were closed for refurbishment after the December 2017 mudslides that occurred in the area. ADR for the North American owned hotels segment increased to \$430 in the year ended December 31, 2018 from \$426 in the year ended December 31, 2017. Occupancy increased to 69% in the year ended December 31, 2018 from 67% in the year ended December 31, 2017. Same store RevPAR (which excludes the operations of Belmond Cap Juluca, Anguilla, British West Indies and Belmond La Samanna) increased by 5% to \$286 in the year ended December 31, 2018 from \$272 in the year ended December 31, 2017.



Adjusted EBITDA for the region for the year ended December 31, 2018 of \$38.1 million represented an increase of \$8.3 million, or 28%, from \$29.8 million for the year ended December 31, 2017. In constant currency, adjusted EBITDA for the region for the year ended December 31, 2018 also increased \$8.2 million from the year ended December 31, 2017, driven by improvements of \$3.9 million at Belmond Charleston Place, \$2.5 million at Belmond Cap Juluca, and \$1.7 million at Belmond El Encanto. Operating losses of \$8.7 million at Belmond La Samanna and \$6.3 million at Belmond Cap Juluca have been added back to adjusted EBITDA for the year ended December 31, 2018 while the properties were closed for renovation for the majority of 2018. Also added back to adjusted EBITDA for the twelve months ended December 31, 2018 is a \$1.2 million deductible related to the insurance cover at Belmond Charleston Place. Excluded from adjusted EBITDA in the year ended December 31, 2018 is a \$1.6 million gain related to the receipt of insurance proceeds at '21' Club following water damage in the first quarter of 2018. As a percentage of revenue, adjusted EBITDA increased to 29% for the year ended December 31, 2018 from 20% the year ended December 31, 2017.

Table of Contents

## 2017 compared to 2016

Revenue was \$149.3 million for the year ended December 31, 2017, an increase of \$3.4 million, or 2%, from \$145.9 million for the year ended December 31, 2016. In constant currency, revenue for the region for the year ended December 31, 2017 increased \$3.4 million or 2% from the year ended December 31, 2016, primarily due to revenue growth of \$6.0 million or 8% at Belmond Charleston Place, where food and beverage revenue increased as a result of a new sports bar that commenced operations in July 2016 and an increase in group business. Additionally, the newly acquired Belmond Cap Juluca contributed \$2.4 million in revenue prior to its closure for renovation at the end of August 2017, and '21' Club saw a \$1.5 million or 9% increase in revenue in response to marketing campaigns and property improvements in 2017. Growth for these properties was offset by a \$7.6 million or 32% decrease in revenue at Belmond La Samanna, which was negatively impacted by a decline in visitation and subsequent closure for refurbishment following the impact of Hurricanes Irma and Jose in September 2017. ADR for the North American owned hotels segment increased to \$426 in the year ended December 31, 2017 from \$421 in the year ended December 31, 2016. Occupancy remained flat at 67% in the years ended December 31, 2017 and 2016. Same store RevPAR (which excludes the operations of Belmond Cap Juluca and Belmond La Samanna) increased by 7% to \$272 in the year ended December 31, 2017 from \$254 in the year ended December 31, 2016.

Adjusted EBITDA for the region for the year ended December 31, 2017 of \$29.8 million represented an increase of \$0.4 million, or 1%, from \$29.4 million for the year ended December 31, 2016. In constant currency, adjusted EBITDA for the region for the year ended December 31, 2017 increased \$0.4 million or 1% from the year ended December 31, 2016, primarily as a result of a \$2.9 million or 13% increase in adjusted EBITDA at Belmond Charleston Place offset by a \$1.1 million decrease in adjusted EBITDA at Belmond El Encanto, which saw a decrease in adjusted EBITDA following the closure of the hotel for nearly three weeks during the Thomas Fire in Santa Barbara in December 2017. Operating losses of \$1.4 million at Belmond La Samanna and \$2.4 million at Belmond Cap Juluca have been added back to adjusted EBITDA while the properties are closed for renovation following the hurricanes. As a percentage of North American owned hotels revenue, adjusted EBITDA remained at 20% for the year ended December 31, 2017 and the year ended December 31, 2016.

## Owned hotels - Rest of world

Year ended December 31,	2018	2017	2016
Rooms Available	372,678	374,478	376,952
Rooms Sold	204,013	200,537	204,944
Occupancy (percentage)	55	54	54
Average daily rate (in U.S. dollars)	368	380	388
RevPAR (in U.S. dollars)	201	203	211
		Change %	
Year ended December 31,	2018	2017	Dollars Constant currency
Same Store RevPAR (in U.S. dollars)	200	203	(1)% 4 %
		Change %	
Year ended December 31,	2017	2016	Dollars Constant currency
Same Store RevPAR (in U.S. dollars)	207	218	(5)% (11 )%



## Table of Contents

### 2018 compared to 2017

Revenue was \$122.2 million for the year ended December 31, 2018, a decrease of \$2.0 million, or 2%, from \$124.2 million in the year ended December 31, 2017. In constant currency, revenue for the year ended December 31, 2018 increased \$5.4 million or 5% from the year ended December 31, 2017. This is principally as a result of a \$5.9 million increase in revenue at Belmond Hotel das Cataratas, following positive media coverage of the destination and a relaxing of visa restrictions in the country, and \$1.4 million at Belmond Copacabana Palace, Rio de Janeiro, Brazil due to increased group revenue and the strong performance of its recently renovated "Pérgula" restaurant. These increases were offset by decreases of \$1.4 million at Belmond Governor's Residence, Yangon, Myanmar as it faced increased competition and reduced visitor arrivals, and \$1.1 million at Belmond Mount Nelson, which has been impacted by the adverse media coverage around the potential water crisis in Cape Town. ADR in U.S. dollar terms for the Rest of world segment decreased by 3% to \$368 for the year ended December 31, 2018 from \$380 in the year ended December 31, 2017. Occupancy increased to 55% in the year ended December 31, 2018 from 54% in the year ended December 31, 2017. Same store RevPAR in U.S. dollars (which excludes Belmond Savute Elephant Lodge) decreased by 1% to \$200 for the year ended December 31, 2018 from \$203 in the year ended December 31, 2017, an increase of 4% on a constant currency basis.

Adjusted EBITDA for the region for the year ended December 31, 2018 of \$24.6 million represented an increase of \$0.1 million, from \$24.5 million for the year ended December 31, 2017. In constant currency, adjusted EBITDA for the region increased \$1.0 million or 4% from the year ended December 31, 2017, primarily as a result of a \$2.6 million increase in adjusted EBITDA at Belmond Hotel das Cataratas, offset by a decrease in adjusted EBITDA of \$1.5 million at Belmond Mount Nelson. As a percentage of Rest of world owned hotels revenue, adjusted EBITDA was 20% for both the years ended December 31, 2018 and 2017.

### 2017 compared to 2016

Revenue was \$124.2 million for the year ended December 31, 2017, a decrease of \$6.1 million, or 5%, from \$130.3 million for the year ended December 31, 2016. In constant currency, revenue for the year ended December 31, 2017 decreased \$15.1 million or 11% from the year ended December 31, 2016, primarily due to a \$20.4 million or 28% decrease in revenue for the Company's two Brazilian properties due to a combination of the impact in the year ended December 31, 2017 of political and economic instability in the country and exceptionally high revenue in the year ended December 31, 2016 due to the 2016 Summer Olympic Games held in Rio de Janeiro. Partially offsetting this decrease was revenue growth of \$3.2 million or 18% at Belmond Mount Nelson Hotel, \$1.6 million or 20% at Belmond Safaris, and \$1.4 million or 49% at Belmond La Résidence d'Angkor, Siem Riep, Cambodia, all of which have benefited from the Company's project capital expenditure in recent years. Belmond La Résidence d'Angkor also saw high revenue growth compared to 2016 when it was closed for refurbishment from May to November. ADR in U.S. dollar terms for the Rest of world segment decreased by 2% to \$380 for the year ended December 31, 2017 from \$388 in the year ended December 31, 2016. Occupancy remained flat at 54% in the year ended December 31, 2017 and December 31, 2016. Same store RevPAR (which excludes Belmond Savute Elephant Lodge and Belmond La Résidence d'Angkor) decreased by 5% to \$207 in the year ended December 31, 2017 from \$218 in the year ended December 31, 2016, a decrease of 11% on a constant currency basis.

Adjusted EBITDA for the region for the year ended December 31, 2017 of \$24.5 million represented a decrease of \$8.6 million, or 26%, from \$33.1 million for the year ended December 31, 2016. In constant currency, adjusted EBITDA for the region decreased \$11.1 million or 31% from the year ended December 31, 2016, largely as a result of a combined \$13.2 million adjusted EBITDA decrease for the Company's two Brazilian hotels, offset by increases in adjusted EBITDA of \$2.0 million or 29% at Belmond Mount Nelson Hotel, \$1.1 million or 85% at Belmond Safaris and \$0.6 million at Belmond La Résidence d'Angkor. As a percentage of Rest of world owned hotels revenue, adjusted EBITDA was 20% for the year ended December 31, 2017 compared to 25% for the year ended December 31,

2016.

Owned trains and cruises

2018 compared to 2017

Revenue was \$70.8 million in the year ended December 31, 2018, an increase of \$7.6 million, or 12%, from \$63.2 million in the year ended December 31, 2017. In constant currency, revenue increased \$5.5 million or 8% primarily driven by an increase in revenue of \$9.3 million for the Venice Simplon-Orient-Express which has continued a strong year as it benefits from recent capital improvements, enhanced revenue management activities and media exposure. This increase was offset by the sale of the Belmond Northern Belle and the termination of the lease for Belmond Orcaella in the previous year, which contributed revenue of \$4.2 million and \$1.1 million, respectively, in the twelve months ended December 31, 2017.

51

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## Table of Contents

Owned trains and cruises reported adjusted EBITDA of \$13.5 million for the year ended December 31, 2018, an increase of \$9.1 million, from \$4.4 million for the year ended December 31, 2017. In constant currency, adjusted EBITDA increased \$8.8 million from the year ended December 31, 2017, largely due to an increase of \$6.4 million at Venice Simplon-Orient-Express, and the termination of the lease for Belmond Orcaella, which contributed losses of \$1.0 million in the year ended December 31, 2017.

### 2017 compared to 2016

Revenue was \$63.2 million in the year ended December 31, 2017, an increase of \$3.9 million, or 7%, from \$59.3 million in the year ended December 31, 2016. In constant currency, revenue increased \$6.2 million or 11% primarily as a result of the Belmond Grand Hibernian train, which commenced its first full year of operations in 2017 and contributed an increase of \$4.0 million for the year ended December 31, 2017. The Belmond Royal Scotsman train grew revenue by \$2.2 million or 39% year-over-year primarily as a result of generating higher-revenue charter business and the addition of a spa car and four new berths. Additionally, the Venice Simplon-Orient-Express train saw revenue increases of \$2.0 million driven by promotional activity surrounding the release of the Hollywood movie 'Murder on the Orient Express' and the Belmond British Pullman train saw revenue increase by \$1.4 million due to a higher number of charters operated in the year ended December 31, 2017. This was offset by a combined revenue decrease of \$3.4 million at Belmond Road to Mandalay and Belmond Orcaella, the Company's two river cruise ships in Myanmar, as a result of decreased demand for tourism in the destination.

Owned trains and cruises reported adjusted EBITDA of \$4.4 million for the year ended December 31, 2017, an increase of \$0.1 million, or 2%, from \$4.3 million for the year ended December 31, 2016. In constant currency, adjusted EBITDA increased \$0.3 million or 7% from the year ended December 31, 2016, largely due to a \$1.1 million increase in adjusted EBITDA for the Belmond Royal Scotsman, offset by a \$0.8 million decrease for Belmond Road to Mandalay, Ayeyarwady River, Myanmar due to decreased demand.

### Part-owned/managed hotels

#### 2018 compared to 2017

Revenue was \$2.3 million in the year ended December 31, 2018, an increase of \$1.3 million, from \$1.0 million in the year ended December 31, 2017. In constant currency, revenue for Part-owned/managed hotels increased \$1.4 million, due to a larger provision made in the prior-year against management and reservation fees at Inn at Perry Cabin by Belmond, St Michaels, Maryland in respect of an agreement entered into on April 7, 2017 pursuant to which Belmond agreed to guarantee specified budgeted EBITDA levels earned by the property for each of the 2017 and 2018 fiscal years.

Adjusted EBITDA for Part-owned/managed hotels for the year ended December 31, 2018 of \$7.6 million represented an increase of \$0.8 million or 12% from earnings of \$6.8 million for the year ended December 31, 2017. In constant currency, adjusted EBITDA for Part-owned/ managed hotels increased \$0.9 million or 13%, due to occupancy-driven growth and improved performance at the Peruvian hotel joint venture of \$1.0 million.

#### 2017 compared to 2016

Revenue was \$1.0 million in the year ended December 31, 2017, a decrease of \$3.4 million, or 77%, from \$4.4 million in the year ended December 31, 2016. In constant currency, revenue for Part-owned/managed hotels decreased \$3.4 million or 76%, largely due to a provision made against management and reservation fees at Inn at Perry Cabin by Belmond, in respect of an agreement entered into on April 7, 2017 pursuant to which Belmond agreed to guarantee specified budgeted EBITDA levels earned by the property for each of the 2017 and 2018 fiscal years.

Adjusted EBITDA for Part-owned/managed hotels for the year ended December 31, 2017 of \$6.8 million represented an increase of \$0.5 million or 8% from earnings of \$6.3 million for the year ended December 31, 2016. In constant currency, adjusted EBITDA for Part-owned/ managed hotels increased \$0.5 million or 8%, primarily as a result of an increase in occupancy at the joint venture's two hotels in Cusco.

Part-owned/managed trains

2018 compared to 2017

Revenue was \$10.8 million in the year ended December 31, 2018, a decrease of \$0.1 million, or 1%, from \$10.9 million in the year ended December 31, 2017. In constant currency, revenue for Part-owned/managed trains also decreased \$0.1 million.

## Table of Contents

Adjusted EBITDA for Part-owned/managed trains for the year ended December 31, 2018 of \$26.6 million represented an increase of \$2.6 million or 11% from \$24.0 million for the year ended December 31, 2017. In constant currency, adjusted EBITDA for Part-owned/managed trains increased \$2.7 million, due to an adjusted EBITDA increase of \$2.5 million or 10% for the Company's Peruvian train joint venture, PeruRail, due to an insurance recovery and improved operating performance.

### 2017 compared to 2016

Revenue was \$10.9 million in the year ended December 31, 2017, an increase of \$0.1 million, or 1%, from \$10.8 million in the year ended December 31, 2016. In constant currency, revenue for Part-owned/managed trains also increased \$0.1 million or 1%.

Adjusted EBITDA for Part-owned/managed trains for the year ended December 31, 2017 of \$24.0 million represented a decrease of \$1.9 million or 7% from \$25.9 million for the year ended December 31, 2016. In constant currency, adjusted EBITDA for Part-owned/managed trains decreased \$1.9 million or 7%, due to an adjusted EBITDA decrease of \$2.0 million or 8% for the Company's Peruvian train joint venture, PeruRail, as a result of increases in fuel costs and other operating expenses.

### Unallocated corporate costs

#### 2018 compared to 2017

Adjusted central costs were \$42.5 million for the year ended December 31, 2018 (including \$6.0 million of non-cash share-based compensation expense), an increase of \$3.3 million, or 8%, from \$39.2 million in the year ended December 31, 2017 (including \$5.8 million of non-cash share-based compensation expense). In constant currency, adjusted central costs increased \$2.3 million, mainly due to increased development and other corporate headcount to support the strategic growth plan. As a percentage of revenue, adjusted central costs were 7% for both the year ended December 31, 2018 and the year ended December 31, 2017.

#### 2017 compared to 2016

Adjusted central costs were \$39.2 million for the year ended December 31, 2017 (including \$5.8 million of non-cash share-based compensation expense), a decrease of \$0.8 million, or 2%, from \$38.4 million for the year ended December 31, 2016 (including \$7.6 million of non-cash share-based compensation expense). In constant currency, adjusted central costs increased \$1.5 million or 4%, mainly due to increased development and other corporate headcount to support the strategic growth plan. As a percentage of revenue, adjusted central costs were 7% for both the year ended December 31, 2017 and the year ended December 31, 2016.

### Depreciation and amortization

#### 2018 compared to 2017

Depreciation and amortization was \$61.3 million for the year ended December 31, 2018, a decrease of \$1.6 million, or 3%, from \$62.9 million in the year ended December 31, 2017. Depreciation and amortization as a percentage of revenue remained flat at 11% for the years ended December 31, 2018 and 2017.

#### 2017 compared to 2016



Depreciation and amortization was \$62.9 million in the year ended December 31, 2017, an increase of \$10.5 million, or 20% from \$52.4 million in the year ended December 31, 2016, primarily as a result of the completion of several capital projects and accelerated depreciation charge to write off assets that are expected to be replaced. Depreciation and amortization as a percentage of revenue increased to 11% for the year ended December 31, 2017 from 10% for the year ended December 31, 2016.

#### Impairment of goodwill

##### 2018 compared to 2017

A goodwill impairment charge of \$4.7 million was recorded in the year ended December 31, 2018. This consisted of \$2.2 million at Belmond Governor's Residence as a result of the fall in tourist arrivals in Myanmar due to negative perceptions of the country related to the Rohingya crisis, \$1.5 million at Belmond La Résidence d'Angkor due to slower than anticipated growth, \$0.8 million at Belmond Villa San Michele, Florence, Italy as a result of lower than anticipated performance and a reduction in group business, and \$0.2 million at Belmond Castello di Casole due to lower than anticipated cash flows. A goodwill impairment charge of \$5.5 million was recorded in the year ended December 31, 2017 at Belmond Cap Juluca due to a significant adverse change in the use and physical condition of the hotel following Hurricanes Irma and Jose in September 2017. See Note 10 to the Financial Statements.

Table of Contents

2017 compared to 2016

A goodwill impairment charge of \$5.5 million was recorded in the year ended December 31, 2017 at Belmond Cap Juluca due to a significant adverse change in the use and physical condition of the hotel following Hurricanes Irma and Jose in September 2017. There were no impairments of goodwill in the year ended December 31, 2016.

Impairment of property, plant and equipment and other assets

2018 compared to 2017

There was a \$4.9 million impairment charge of property, plant and equipment and other assets in the year ended December 31, 2018. This consisted of \$2.5 million at Belmond Governor's Residence and \$2.3 at Belmond Road to Mandalay as a result of a fall in tourist arrivals in Myanmar due to negative perceptions of the country. There was also a non-cash favorable lease asset impairment of \$0.2 million at Belmond Governor's Residence. There was a \$8.2 million impairment of property, plant and equipment in the year ended December 31, 2017. This consisted of \$7.1 million at Belmond Road to Mandalay as a result of increased competition and anticipated lower occupancy levels and \$1.1 million at Belmond Northern Belle due to forecasted lower demand. See Note 9 to the Financial Statements.

2017 compared to 2016

There was a \$8.2 million impairment charge of property, plant and equipment in the year ended December 31, 2017. This consisted of \$7.1 million at Belmond Road to Mandalay as a result of increased competition and anticipated lower occupancy levels and \$1.1 million at Belmond Northern Belle due to forecasted lower demand. There was a \$1.0 million impairment of property, plant and equipment in the year ended December 31, 2016 which related to Belmond Orcaella.

Other operating income

2018 compared to 2017

Other operating income was \$16.9 million for the year ended December 31, 2018, an increase from \$Nil in the year ended December 31, 2017. The income relates to a business interruption gain of \$11.2 million at Belmond La Samanna following lost profits as a result of Hurricanes Irma and Jose, \$2.7 million in relation to the insurance gain at '21' Club following water damage from burst pipes in January 2018, \$1.2 million at Belmond Castello di Casole due to the change in fair value of contingent consideration recognized on the acquisition, and Belmond El Encanto, Belmond Charleston Place and Belmond's three safari camps in Botswana also recorded income from combined business interruption insurance gains of \$1.8 million.

2017 compared to 2016

Other operating income was \$Nil for both years ended December 31, 2017 and 2016.

Gain on extinguishment of debt

2018 compared to 2017

For the years ended December 31, 2018 and 2017, there was no gain on extinguishment of debt.

2017 compared to 2016

For the year ended December 31, 2017, there was no gain on extinguishment of debt. For the year ended December 31, 2016, there was a gain on extinguishment of debt of \$1.2 million. In June 2016, Charleston Center LLC amended its secured loan of \$86.0 million increasing the amount of the loan to \$112.0 million. The additional proceeds were used to repay a 1984 development loan from a municipal agency in the principal amount of \$10.0 million and accrued interest of \$16.8 million. In connection with the early repayment of the loan, Belmond negotiated a discount that resulted in a net gain, reported in the statements of consolidated operations during the year ended December 31, 2016, of \$1.2 million upon extinguishment of debt, including the payment of a tax indemnity to its partners in respect of their allocation of income from the discount arising on the cancellation of indebtedness.

Table of Contents

Interest income, interest expense and foreign currency, net

2018 compared to 2017

Interest income, interest expense and foreign currency, net was an expense of \$35.5 million for the year ended December 31, 2018, an increase of \$1.1 million, or 3%, from an expense of \$34.4 million for the year ended December 31, 2017. The increase in net expense was primarily due to a \$0.7 million increase in the foreign exchange loss for the year ended December 31, 2018 compared to the year ended December 31, 2017 due to the depreciation of the Russian rouble and Brazilian real against the U.S. dollar.

2017 compared to 2016

Interest income, interest expense and foreign currency, net was an expense of \$34.4 million for the year ended December 31, 2017, an increase of \$15.3 million, or 80%, from an expense of \$19.1 million for the year ended December 31, 2016. The increase in net expense was primarily due to a foreign exchange loss of \$3.0 million that was recognized in the year ended December 31, 2018 compared to a foreign exchange gain of \$9.2 million in the year ended December 31, 2017 as a result of volatility in the British pound foreign exchange rate against the U.S. dollar over the last two years.

Provision for income taxes

2018 compared to 2017

The provision for income taxes was \$14.0 million in the year ended December 31, 2018, an increase of \$7.4 million, from a provision for income taxes of \$6.6 million in the year ended December 31, 2017. The increase in tax provision is mainly as a result of net tax credits in the U.S. in the year ended December 31, 2017 of \$10.2 million, which included a deferred tax benefit of \$19.8 million, following a reduction in the U.S. corporate tax rate from 35 to 21 per cent, effective January 1, 2018.

2017 compared to 2016

The provision for income taxes was \$6.6 million in the year ended December 31, 2017, a decrease of \$9.8 million, or 60%, from a provision for income taxes of \$16.4 million in the year ended December 31, 2016. This was mainly as a result of a decrease in deferred tax liabilities of \$19.8 million following a reduction in the corporate tax rate in the U.S. from 35 to 21 percent effective January 1, 2018, following enactment of the Tax Cuts and Jobs Act of 2017. The tax charge for the year ended December 31, 2016 included a benefit of \$3.4 million in respect of uncertain tax positions following settlements agreed in October 2016. See Note 15 to the Financial Statements.

Gain/(loss) on disposal of property, plant and equipment

2018 compared to 2017

A gain on disposal of \$0.8 million was recognized in the year ended December 31, 2018 compared with a \$0.2 million loss in the year ended December 31, 2017. The gain in the year ended December 31, 2018 relates to the recognition of the deferred gain following the March 2014 sale of Inn at Perry Cabin by Belmond, which Belmond managed under a management contract. On April 27, 2018, the owner of Inn at Perry Cabin by Belmond notified the Company that the owner was exercising its special right to an early termination under the hotel's management agreement, which was effective as of the end of 2018. Under this provision, the owner is entitled to an early termination of the ten year management agreement at December 31, 2018 without cause, conditioned solely upon it repaying all remaining

unamortized key money to Belmond. On December 31, 2018, Belmond made a single net payment of \$0.2 million to the owner of Inn at Perry Cabin by Belmond in full settlement of any remaining unamortized key money owed to Belmond and Belmond's guarantee to the owner of specified budgeted EBITDA levels earned by the property.

2017 compared to 2016

A loss on disposal of \$0.2 million was recognized in the year ended December 31, 2017 compared with a \$0.9 million gain in the year ended December 31, 2016. The loss in the year ended December 31, 2017 relates to the sale of Belmond Northern Belle in November 2017, offset by the recognition of the \$0.6 million deferred gain following the March 2014 sale of Inn at Perry Cabin by Belmond, which Belmond managed under a management contract. The gain in the year ended December 31, 2016 relates to the deferred gain following the sale of Inn at Perry Cabin by Belmond, with the remainder relating to the gain on sale of the spa building at Belmond Casa de Sierra Nevada, Mexico in September 2016.

## Table of Contents

### Earnings/(losses) from unconsolidated companies, net of tax

#### 2018 compared to 2017

Earnings from unconsolidated companies, net of tax were \$9.4 million in the year ended December 31, 2018, an increase of \$19.6 million from losses of \$10.2 million in the year ended December 31, 2017. This is due to Belmond's share of impairment charge in the Company's FTSA joint venture of \$29.3 million, offset by the corresponding decrease in deferred tax liabilities of \$8.6 million in the year ended December 31, 2017. See below for further information. Additionally, there was an insurance recovery at the Company's PeruRail joint venture and improved operating performance at both PeruRail and Peru hotel joint ventures.

#### 2017 compared to 2016

Losses from unconsolidated companies, net of tax were \$10.2 million in the year ended December 31, 2017, a decrease of \$21.2 million from earnings of \$11.0 million in the year ended December 31, 2016. An impairment charge of \$58.5 million was recorded in FTSA, the Company's joint venture that has a concession from the Government of Peru to operate the track network in the southern and southeastern Peru. Belmond's equity share of this impairment was \$29.3 million which is recorded in share of earnings from unconsolidated companies and was added back to adjusted EBITDA. The concession had an initial term of 30 years from 1999 with the option to apply for six 5-year extensions. In December 2017 the joint venture received a denial of its third extension request. As a result, the joint venture could no longer conclude that the remaining three extensions are probable and therefore reduced its expectation of the total expected life of the concession to the contracted term of 35 years of which 17 years were remaining as of December 31, 2017. This triggered an impairment test of the assets within the joint venture and the shorter time period over which to recover the carrying value of the assets led to the impairment charge being recorded in the year ended December 31, 2017. The life of the concession is now expected to expire in 2034. The Company is also a 50% owner of the PeruRail joint venture, which operates and manages rolling stock, including the Belmond Andean Explorer and Belmond Hiram Bingham, and is not anticipated to be impacted by the shortening of the expected FTSA concession life as it can continue to run trains on the track after the conclusion of FTSA's concession. The impairment resulted in a deferred tax benefit of \$17.3 million, of which Belmond's equity share represents \$8.6 million and as such deferred tax liabilities are reduced by this amount.

### Net (losses)/earnings from discontinued operations

#### 2018 compared to 2017

Net losses from discontinued operations for the year ended December 31, 2018 were nil, compared to net earnings of \$0.1 million for the year ended December 31, 2017. Net earnings from discontinued operations for the year ended December 31, 2017 consist largely of the reimbursement of legal fees in relation to Ubud Hanging Gardens, as Belmond is pursuing legal remedies following its dispossession by the owner in November 2013. See Notes 6 and 21 to the Financial Statements.

#### 2017 compared to 2016

Net earnings from discontinued operations for the year ended December 31, 2017 were \$0.1 million, compared to net earnings of \$1.0 million for the year ended December 31, 2016. Net earnings from discontinued operations for the year ended December 31, 2017 consist largely of the reimbursement of legal fees in relation to Ubud Hanging Gardens, Bali as Belmond is pursuing legal remedies following its dispossession by the owner in November 2013.

Net earnings from discontinued operations for the year ended December 31, 2016 comprised of the reimbursement of legal fees in relation to Ubud Hanging Gardens and residual operating losses from Porto Cupecoy which was sold in January 2013. See Notes 6 and 21 to the Financial Statements.

Net (losses)/earnings

2018 compared to 2017

The net losses attributable to Belmond Ltd. for the year ended December 31, 2018 were \$28.5 million (\$0.28 per common share) on revenue of \$576.8 million, compared with net losses of \$45.0 million (\$0.44 per common share) on revenue of \$561.0 million in the year ended December 31, 2017. The decrease in net losses is due to a 3% increase in revenue for the Company, a \$19.6 million increase in earnings from unconsolidated companies, net of tax, as a result of the impairment charge at the Company's FTSA joint venture recorded in the year ended December 31, 2017, and a \$16.9 million increase in other operating income from insurance gains mainly from Belmond La Samanna, '21' Club and Belmond Charleston Place. This growth is offset by an increase of \$7.4 million in the tax provision for the Company, a one-off charge of \$13.9 million to restructure the Company's labor force

56

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## Table of Contents

at Belmond La Samanna, and \$8.5 million of expenses and fees for professional services related to the board's review of strategic alternatives for the year ended December 31, 2018.

### 2017 compared to 2016

The net losses attributable to Belmond Ltd. for the year ended December 31, 2017 were \$45.0 million (\$0.44 per common share) on revenue of \$561.0 million, compared with net earnings of \$36.3 million (\$0.36 per common share) on revenue of \$549.8 million in the year ended December 31, 2016. The decrease in net earnings was largely attributable to \$14.0 million of acquisition-related costs associated with Cap Juluca, Belmond's equity share of the \$58.5 million impairment in FTSA, and an impairment charge of \$8.2 million in relation to Belmond Road to Mandalay and Belmond Northern Belle. Acquisition-related costs for Cap Juluca represent professional fees incurred in preliminary design and planning, structuring, assessment of financing opportunities, legal, tax, accounting and engineering due diligence and the negotiation of the purchase and sale agreements, and other ancillary documents, with the principal owner and leaseholder, together with three owners of villas and separate subleases, as well as a memorandum of understanding and ground lease with the Government of Anguilla. Additionally, the net loss was a result of a foreign exchange loss of \$3.0 million recognized in the year ended December 31, 2017, compared to a foreign exchange gain of \$9.2 million in the year ended December 31, 2016. There was also a gain on extinguishment of debt of \$1.2 million recognized in the year ended December 31, 2016 in connection with the early repayment of the development loan at Charleston Center LLC, compared with no gain on extinguishment of debt in the year ended December 31, 2017.

Other comprehensive income: Foreign currency translation adjustments, net

### 2018 compared to 2017

Foreign currency translation adjustments for the year ended December 31, 2018 were a loss of \$39.9 million compared to a gain of \$48.8 million for the year ended December 31, 2017 primarily due to the retranslation of Belmond's net investment in subsidiary accounts denominated in foreign currencies into the Company's reporting currency of U.S. dollars.

The loss in the year ended December 31, 2018 was due to the depreciation of all of Belmond's operating currencies against the U.S. dollar from the rates at December 31, 2017. In particular, the 17%, 15%, 6% and 4% depreciation of the Russian ruble, Brazilian real, British pound and euro against the U.S. dollar, respectively, negatively impacted the carrying value of Belmond's net investments denominated in those currencies.

### 2017 compared to 2016

Foreign currency translation adjustments for the year ended December 31, 2017 were a gain of \$48.8 million compared to a loss of \$11.0 million for the year ended December 31, 2016 primarily due to the retranslation of Belmond's net investment in subsidiary accounts denominated in foreign currencies into the Company's reporting currency of U.S. dollars.

The gain in the year ended December 31, 2017 was primarily due to the majority of Belmond's operating currencies appreciating against the U.S. dollar from the rate at December 31, 2016. In particular, the 14%, 11%, 10% and 5% appreciation of the euro, South African rand, British pound and Russian ruble against the U.S. dollar, respectively, positively impacted the carrying value of Belmond's net investments denominated in those currencies.

## Liquidity and Capital Resources



## Overview

Belmond's primary short-term cash needs include payment of compensation, general business expenses, capital commitments and contractual payment obligations, which include principal and interest payment on its debt facilities. Long-term liquidity needs may include existing and ongoing property refurbishments, potential investment in strategic acquisitions, and the repayment of long-term debt. At December 31, 2018, total debt and obligations under capital leases, including debt of consolidated variable interest entities, amounted to \$773.6 million (2017 - \$724.2 million), including a current portion of \$6.3 million (2017 - \$6.4 million). See Note 12 to the Financial Statements. Additionally, Belmond had capital commitments at December 31, 2018 amounting to \$21.2 million (2017 - \$19.5 million).

Belmond had cash and cash equivalents of \$108.4 million at December 31, 2018, compared to \$180.2 million at December 31, 2017. In addition, Belmond had restricted cash balances of \$3.4 million, of which \$1.9 million is classified as restricted cash on the balance sheet and \$1.5 million is classified in other assets (2017 - \$3.9 million, of which \$3.1 million is classified as restricted cash and \$0.8 million is classified in other assets). At December 31, 2018, there were undrawn amounts available to Belmond

## Table of Contents

under committed short-term lines of credit of \$83.4 million (2017 - \$100.6 million), bringing total cash availability at December 31, 2018 to \$191.8 million (2017 - \$280.8 million), excluding restricted cash. When assessing liquidity, Belmond management considers the availability of those cash resources held within local business units to meet the strategic needs of Belmond.

At December 31, 2018, Belmond had \$6.3 million of scheduled debt repayments due within one year. Belmond expects to meet these repayments and fund working capital and capital expenditure commitments for the foreseeable future from cash resources, operating cash flow and available committed borrowing.

In order to ensure that Belmond has sufficient liquidity for the future, Belmond's cash flow projections and available funds are reviewed with the Company's board of directors on a regular basis.

### Recent Events Affecting Belmond's Liquidity and Capital Resources

On December 14, 2018, the Company announced that it had entered into an Agreement and Plan of Merger dated December 13, 2018 (the "Merger Agreement") with LVMH Moët Hennessy—Louis Vuitton SE ("LVMH"), Palladio Overseas Holding Limited, an indirect, wholly-owned subsidiary of LVMH ("Holding"), and Fenice Ltd., a wholly-owned subsidiary of Holding ("Merger Sub"), pursuant to which LVMH will acquire the Company. Under the Merger Agreement, the sale to LVMH will be effected by way of a merger of Merger Sub with and into the Company, with the Company being the surviving company in the merger and becoming a subsidiary of Holding.

The completion of the merger, which is expected to occur in the first half of 2019, is subject to the satisfaction or waiver of certain conditions, including the receipt of antitrust approvals in certain foreign jurisdictions and the absence of any law or governmental order prohibiting the merger. The Company held a special general meeting of its shareholders on February 14, 2019 at which time Belmond's shareholders approved the Merger Agreement and the merger. At the effective time of the merger, each issued and outstanding class A common share, par value \$0.01 per share, of the Company, other than class A common shares that are held by the Company in treasury or that are owned by LVMH, Holding or Merger Sub or by any other direct or indirect subsidiary of LVMH or the Company, will be converted automatically and without any action by the holder of the class A common shares into the right to receive \$25.00 per share in cash, without interest (and less any applicable withholding taxes). If the merger is completed, the Company will cease to be a publicly traded company and will become a subsidiary of Holding and an indirect subsidiary of LVMH. For further information on the risks relating to the sale of the Company, see Part 1—Item 1A—Risk Factors—Risks Related to the Sale of the Company. Additional information about the sale, the Merger Agreement and the merger, including circumstances under which the Merger Agreement can be terminated, as well as other terms and conditions, are set forth in the Company's Current Report on Form 8-K filed with the SEC on December 14, 2018.

Under the Merger Agreement, the Company is restricted from taking certain actions without LVMH's consent while the sale to LVMH is pending, including, among other matters, from making certain investments or acquisitions and selling certain assets, engaging in certain capital expenditures, and incurring certain indebtedness.

During the year ended December 31, 2018, expenses and fees for professional services related to the board's review of strategic alternatives of \$8.5 million were recognized within selling, general and administrative expenses in the statements of consolidated operations. If the Merger is consummated, the Company expects to incur additional costs related to the board's review of strategic alternatives which may be material. If the Merger Agreement is terminated under certain specified circumstances, Belmond may be required to pay to LVMH a termination fee equal to \$92.3 million under the terms of the Merger Agreement.

On June 22, 2018, Charleston Center LLC amended its secured loan of \$112.0 million increasing the amount of the loan to \$160.0 million and extending its maturity from August 27, 2019 to June 22, 2021. The amended loan continues

to bear interest at a rate of LIBOR plus 2.35% per annum. The loan has no amortization and is non-recourse to Belmond.

In March 2018, Belmond made drawdowns totaling \$38.9 million on its revolving credit facility (the “Revolving Credit Facility”). In May 2018, Belmond repaid \$1.2 million and in July 2018, all outstanding borrowings under the Revolving Credit Facility were repaid. In December 2018, Belmond made drawdowns of €15.0 million (equivalent to \$17.2 million as at December 31, 2018) on its Revolving Credit Facility leaving an undrawn balance of \$82.8 million.

## Table of Contents

On July 3, 2017 Belmond entered into an Amended and Restated Credit Agreement, between Belmond and its senior secured lenders, (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement provides the Company with (i) a seven-year \$603.4 million secured term loan (the "Term Loan Facility") that matures on July 3, 2024 and (ii) a \$100.0 million Revolving Credit Facility that matures on July 3, 2022 (together the "Secured Credit Facilities"). The proceeds from the Term Loan Facility were recognized as cash and used to repay all outstanding funded debt including the \$45.0 million that had been drawn under the prior revolving credit facility, but not the debt of Charleston Centre LLC, a consolidated VIE, or the debt of Belmond's unconsolidated joint venture companies. A loss on modification of debt of \$0.7 million was recognized in the year ended December 31, 2017. The loss consisted of unamortized debt issuance costs relating to the Amended and Restated Credit Agreement.

On February 7, 2018, Belmond acquired Castello di Casole, a 39-key resort and estate in Tuscany, Italy for a total transaction value of €40.2 million (equivalent to \$49.3 million at February 7, 2018), including a cash purchase price of €38.3 million (\$46.9 million), contingent consideration of €1.0 million (\$1.2 million) and acquisition-related costs of €0.9 million (\$1.1 million). The acquisition was funded from existing cash reserves. See Note 5 to the Financial Statements.

On May 26, 2017, Belmond acquired Cap Juluca, a 96-key luxury resort on the Caribbean island of Anguilla, British West Indies for a total transaction value of \$84.8 million, including an aggregate cash purchase price of \$68.7 million and acquisition-related costs of \$14.0 million, but excluding a working capital credit of \$2.1 million. The acquisition was funded from existing cash reserves and \$45.0 million of borrowings under the Company's prior revolving credit facility, which was repaid under the Amended and Restated Credit Agreement. See Notes 5 and 12 to the Financial Statements.

In March 2015, Belmond's board of directors approved a program enabling the Company to repurchase its shares of class A common shares up to the value of \$75.0 million. There were no shares repurchased or retired during the years ended December 31, 2018 and 2017. During the year ended December 31, 2016, Belmond repurchased and retired 233,393 shares of class A common shares at a weighted average price of \$8.54 per share and an aggregate purchase price of approximately \$2.0 million. The shares repurchased represented approximately 0.2% of the Company's total shares of class A common stock outstanding prior to the repurchase. To date the Company has acquired 3,574,667 shares of class A common stock for consideration of \$40.0 million.

## Covenant Compliance

At December 31, 2018, Belmond was financed with a \$595.8 million Term Loan Facility and a \$100.0 million Revolving Credit Facility which is undrawn. The Amended and Restated Credit Agreement limits Belmond's ability to incur additional debt unless a covenant is met. The covenant is measured on the performance of the consolidated group. The Amended and Restated Credit Agreement removed a minimum interest coverage ratio covenant that had previously applied to the Company and increased the net leverage ratio permitted in the covenant test. The maximum net leverage test is measured quarterly based on Belmond's trailing 12 months results. In addition, there is third party bank debt held by consolidated variable interest entities of \$160.6 million relating to Charleston Center LLC. This loan contains two financial covenants, a minimum interest cover test and minimum debt service ratio, both measured quarterly based on the trailing 12 months results of Charleston Center LLC. Belmond was in compliance with its covenants as at 31 December 2018.

If Belmond does not comply with its financial covenant and the banks that provide the Revolving Credit Facility declare a default and accelerate the repayment of their debt, this will permit the lenders under the Term Loan Facility to cross accelerate their loans under the Amended and Restated Credit Agreement.

Belmond regularly monitors projected covenant compliance, and if there was a likely prospective non-compliance with a covenant, Belmond would as a general rule meet with the agent or lending bank or banks of the relevant facility

to seek an amendment or waiver. If such an amendment or waiver is available, obtaining it may result in additional bank fees or an increase in the interest cost.

Based on its current financial forecasts, Belmond believes it will comply with all of the financial covenants in its loan facilities.

#### Working Capital

Current assets less current liabilities, including the current portion of long-term debt, resulted in a working capital surplus of \$19.4 million at December 31, 2018 (December 31, 2017 - \$132.3 million).

## Table of Contents

### Cash Flow - Sources and Uses of Cash

At December 31, 2018 and 2017, Belmond had cash and cash equivalents of \$108.4 million and \$180.2 million, respectively. In addition, Belmond had restricted cash balances of \$3.4 million (of which \$1.9 million is classified as current restricted cash on the consolidated balance sheet and \$1.5 million is classified in other assets) and \$3.9 million (of which \$3.1 million is classified as current restricted cash on the consolidated balance sheet and \$0.8 million is classified in other assets) as of December 31, 2018 and December 31, 2017, respectively.

Operating Activities. Net cash provided by operating activities for the year ended December 31, 2018 was \$79.7 million compared to \$52.0 million for the year ended December 31, 2017 and \$60.8 million for the year ended December 31, 2016.

The primary driver of operating cash flows is the result for the period, adjusted for any non-cash components. Net losses from continuing operations were \$28.2 million for the year ended December 31, 2018, an improvement of \$16.9 million compared to losses of \$45.1 million for the year ended December 31, 2017 primarily due to other operating income of \$16.9 million recorded in the year ended December 31, 2018 which mostly related to insurance. In addition, earnings from unconsolidated companies were \$9.4 million for the year ended December 31, 2018, compared to losses from unconsolidated companies of \$10.2 million for the year ended December 31, 2017, largely as a result of a large impairment charge recorded in one of the Company's unconsolidated companies in the year ended December 31, 2017. See Note 8 to the Financial Statements. The provision for income taxes in the year ended December 31, 2018 was \$14.0 million, compared to \$6.6 million in the year ended December 31, 2017. Non-cash items affecting the calculation of net cash provided by operating activities included the impairment of property, plant and equipment and other assets of \$4.9 million relating to Belmond Governor's Residence and Belmond Road To Mandalay recorded during the year ended December 31, 2018, compared to an \$8.2 million impairment of property, plant and equipment in the year ended December 31, 2017 related to Belmond Road to Mandalay and Belmond Northern Belle. There was an impairment of goodwill of \$4.7 million related to Belmond Governor's Residence, Belmond La Résidence d'Angkor, Belmond Villa San Michele and Belmond Castello di Casole during the year ended December 31, 2018, compared to an impairment of goodwill of \$5.5 million in the year ended December 31, 2017 related to Belmond Cap Juluca. Operating cash flows were also affected by insurance proceeds relating to business interruption losses that totaled \$16.4 million in the year ended December 31, 2018 compared to \$1.5 million in the year ended December 31, 2017.

Net losses from continuing operations were \$45.1 million for the year ended December 31, 2017, a decrease of \$80.5 million compared to earnings of \$35.4 million for the year ended December 31, 2016. Non-cash items affecting the calculation of net cash provided by operating activities included an impairment of property, plant and equipment of \$8.2 million relating to Belmond Road to Mandalay and Belmond Northern Belle recorded during the year ended December 31, 2017 compared to a \$1.0 million impairment of property, plant and equipment in the year ended December 31, 2016 related to Belmond Orcaella. In addition, there was an impairment of goodwill of \$5.5 million related to Belmond Cap Juluca during the year ended December 31, 2017, compared to no goodwill impairment charge in the year ended December 31, 2016. There was a \$1.2 million gain on extinguishment of debt and a \$14.3 million cash outflow to settle accrued interest on Charleston Center LLC's 1984 development loan from a municipal agency in the year ended December 31, 2016, which did recur in the year ended December 31, 2017. In addition, losses from unconsolidated companies were \$10.2 million for the year ended December 31, 2017, compared to earnings from unconsolidated companies of \$11.0 million for the year ended December 31, 2016, largely as a result of an impairment charge recorded in one of the Company's unconsolidated companies. See Note 8 to the Financial Statements. Lastly, operating cash flows were affected by the fact that net losses from continuing operations for the year ended December 31, 2017, included a non-cash loss from foreign currency translation of \$3.0 million, compared to a non-cash gain from foreign currency translation of \$9.2 million for the year ended December 31, 2016.

Investing Activities. Net cash used in investing activities for the year ended December 31, 2018 was \$207.2 million compared to \$120.8 million for the year ended December 31, 2017 and \$52.4 million for the year ended December 31, 2016.

During the year ended December 31, 2018, \$45.4 million, net of cash acquired, was used for the acquisition of Belmond Castello di Casole. During the year ended December 31, 2017, \$68.6 million, net of cash acquired, was used for the acquisition of Cap Juluca. See Note 5 to the Financial Statements. There were no acquisitions during the year ended December 31, 2016. In addition, proceeds from insurance settlements relating to property damage totaled \$7.3 million in the year ended December 31, 2018, compared to \$13.6 million in the year ended December 31, 2017 and did not occur in the year ended December 31, 2016.

Capital expenditure of \$166.1 million during the year ended December 31, 2018 included \$93.3 million on the refurbishment of Belmond Cap Juluca, \$18.8 million on the refurbishment of Belmond La Samanna, \$5.5 million on the refurbishment and addition of new suites at Belmond Hotel Splendido, \$5.1 million at Belmond Grand Hotel Europe, primarily for renovation of its deluxe rooms, \$5.0 million on the full refurbishment of Belmond Savute Elephant Lodge, \$3.7 million at Belmond Afloat in France for the addition of two new barges and \$2.7 million for the refurbishment of '21' Club following water damage from burst pipes earlier

## Table of Contents

in the year, with the balance being for routine capital expenditures. Capital expenditure to acquire intangible assets of \$3.0 million during the year ended December 31, 2018 related to the Company's new enterprise resource planning and customer relationship management systems.

Capital expenditure of \$67.8 million during the year ended December 31, 2017 included \$6.3 million on the refurbishment at Belmond Cap Juluca, \$5.8 million at Belmond Copacabana Palace on the full refurbishment of the Pérgula Restaurant, \$4.7 million at Belmond Grand Hotel Europe for the refurbishment of the hotel's ballroom, improvements to the hotel's heating and air conditioning system and renovation of its deluxe rooms, \$4.6 million on corporate projects, which include the Company's new enterprise resource planning system and website, \$4.5 million on the Venice Simplon-Orient-Express related to statutory maintenance works and \$3.7 million on the acquisition of an additional villa at Belmond Hotel Caruso, with the balance being for routine capital expenditures.

Capital expenditure of \$55.1 million during the year ended December 31, 2016 included \$8.1 million at Belmond Charleston Place related to the cost of adding a new high-end sports pub which opened in July 2016 as well as for roof replacement works, \$5.3 million on the Venice Simplon-Orient-Express related to statutory maintenance works and the phased installation of air-conditioning, \$5.2 million at Belmond La Residence d'Angkor primarily for a rooms renovation project, \$5.2 million at Belmond Mount Nelson Hotel for the renovation of rooms in the hotel's main building, \$4.5 million on the Belmond Grand Hibernian luxury sleeper train which commenced operations in August 2016, with the balance being for routine capital expenditures.

During the year ended December 31, 2017, disposal of the shares in Northern Belle Limited, the wholly owned subsidiary that owned the rolling stock resulted in net cash proceeds of \$2.1 million. The disposal resulted in a loss \$0.8 million, which was recognized on completion and it is reported within loss on sale from property, plant and equipment and equity method investments. There was no equivalent disposal in the year ended December 31, 2018.

During the year ended December 31, 2016, disposal of the trains and carriages that were formerly operated as the Great South Pacific Express and a spa building at Belmond Casa de Sierra Nevada resulted in net cash proceeds of \$2.7 million. The disposal of the spa building resulted in a gain of \$0.3 million, which was recognized on completion and is reported within gain on sale from property, plant and equipment and equity method investments. No gain or loss arose on disposal of the train carriages.

**Financing Activities.** Net cash provided by financing activities for the year ended December 31, 2018 was \$58.6 million compared to cash provided by financing activities of \$89.8 million for the year ended December 31, 2017 and cash provided by financing activities of \$9.6 million for the year ended December 31, 2016.

During the year ended December 31, 2018, Belmond made drawdowns totaling \$57.0 million on its Revolving Credit Facility and Charleston Center LLC amended its secured loan of \$112.0 million, increasing the amount of the loan to \$160.0 million and extending its maturity from August 27, 2019 to June 22, 2021. The proceeds from the additional borrowing were used to repay the outstanding balance on the Revolving Credit Facility in July 2018. See Note 12 to the Financial Statements.

On July 3, 2017, Belmond entered into an Amended and Restated Credit Agreement, which had previously consisted of (a) a seven-year \$552.0 million term loan facility consisting of a \$345.0 million U.S. dollar tranche and a €150.0 million euro-denominated tranche (equivalent to \$207.0 million at drawdown), scheduled to mature on March 21, 2021; and (b) a \$105.0 million revolving credit facility scheduled to mature on March 21, 2019.

The Amended and Restated Credit Agreement provides the Company with (i) a seven-year \$603.4 million Term Loan Facility that matures on July 3, 2024 and (ii) a \$100.0 million Revolving Credit Facility that matures on July 3, 2022. The proceeds from the Term Loan Facility were recognized as cash and used to repay all outstanding funded debt



including the \$45.0 million that had been drawn during the year ended December 31, 2017 under the prior revolving credit facility, but not the debt of Charleston Center LLC, a consolidated VIE, or the debt of Belmond's unconsolidated joint venture companies.

During the year ended December 31, 2016, Charleston Center LLC amended its secured loan of \$86.0 million increasing the amount of the loan to \$112.0 million. The additional proceeds of \$26.0 million were used to repay a 1984 development loan from a municipal agency and associated accrued interest.

Principal repayments under long-term debt were \$45.3 million in the year ended December 31, 2018 compared to \$5.7 million in the year ended December 31, 2017 and \$13.9 million in the year ended December 31, 2016.

The year ended December 31, 2016 included a cash outflow of \$2.0 million in relation to the repurchases of Belmond's shares of class A common stock.

## Table of Contents

Cash Flows from Discontinued Operations. The results of Ubud Hanging Gardens and Porto Cupecoy, have been presented as discontinued operations for all periods presented. See Notes 6 and 21 to the Financial Statements.

Net cash (used in)/provided by operating activities comprises the results of operations for the discontinued operations noted above and the movement in their assets and liabilities. Losses from discontinued operations were \$Nil for the year ended December 31, 2018, compared to earnings of \$0.1 million for the year ended December 31, 2017 and earnings of \$1.0 million for the year ended December 31, 2016. The earnings from discontinued operations for the year ended December 31, 2016 largely relate to the release of a provision at Porto Cupecoy in respect of tax claims that Belmond believes it is now effectively discharged from.

## Capital Commitments

Belmond routinely makes capital expenditures to enhance its business. These capital expenditures relate to maintenance, improvements to existing properties and investment in new properties. These capital commitments are expected to be funded through current cash balances, cash flows from operations, existing debt facilities.

There were \$21.2 million of capital commitments outstanding at December 31, 2018 (2017 - \$19.5 million) relating to project developments and refurbishment for existing properties.

## Other Commitments

At Belmond La Samanna a restructuring plan was agreed with the Works Council at the property and approved by the labor authorities in St Martin, the Company met the criteria to recognize a liability for restructuring costs. During the year ended December 31, 2018, restructuring costs at Belmond La Samanna of \$14.9 million were recognized within costs of services and selling, general and administrative expenses in the statements of consolidated operations. There were \$2.1 million of accrued liabilities relating to the Belmond La Samanna restructuring plan at December 31, 2018. The expected completion date for the workforce restructuring is August 2019. See Note 21 to the Financial Statements.

On July 6, 2018, the Company entered into an agreement with Mr. James Sherwood, the founder, Chairman Emeritus and a former director of the Company to terminate certain purchase rights of Mr. Sherwood in respect of the Belmond Hotel Cipriani. Specifically, Mr. Sherwood's right of first refusal in the case of a sale of the hotel and his purchase option in the event of a change in control of the Company were terminated under the agreement in exchange for a cash payment of \$3.0 million, payable over a period of two years in three installments. Moreover, in the event of a sale of the hotel or a change in control of the Company within a ten year period following execution of the agreement, the Company would pay to Mr. Sherwood \$10.0 million if such an event happens within a year of the agreement, stepping down by \$1.0 million a year to zero after ten years. Mr. Sherwood would also receive a payment of \$25.0 million, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the hotel within one year after the execution of the agreement. See Note 21 to the Financial Statements.

## Indebtedness

At December 31, 2018, Belmond had \$773.6 million (2017 - \$724.2 million) of consolidated debt and obligations under capital leases, including the current portion and including debt held by consolidated variable interest entities. Total debt on the consolidated balance sheets at December 31, 2018 of \$760.0 million (2017 - \$707.1 million) is net of the unamortized original issue discount of \$2.6 million (2017 - \$3.1 million) and unamortized debt issuance costs of

\$11.0 million (2017 - \$14.0 million), both of which will be amortized through interest expense over the term of the loans.

On July 3, 2017, Belmond amended and restated its credit agreement. The Amended and Restated Credit Agreement provides the Company with (i) a seven-year \$603.4 million Term Loan Facility that matures on July 3, 2024 and (ii) a \$100.0 million Revolving Credit Facility that matures on July 3, 2022.

The Term Loan Facility has two tranches, a U.S. dollar tranche (\$394.0 million currently outstanding) and a euro-denominated tranche (€176.3 million currently outstanding, equivalent to \$201.8 million as at December 31, 2018). The dollar tranche bears interest at a rate of LIBOR plus 2.75% per annum, and the euro tranche bears interest at a rate of EURIBOR plus 3% per annum. Both tranches are subject to a 0% interest rate floor. The annual mandatory amortization is 1% of the principal amount.

The Revolving Credit Facility has a maturity of five years and bears interest at a rate of LIBOR plus 2.50% per annum, with a commitment fee of 0.4% paid on the undrawn amount. In December 2018, Belmond made drawdowns of €15.0 million (equivalent

Table of Contents

to \$17.2 million as at December 31, 2018) on its Revolving Credit Facility leaving an undrawn balance of \$82.8 million. At December 31, 2018, including other working capital facilities, the Company has \$83.4 million available to draw.

The Secured Credit Facilities are secured by pledges of shares in certain Company subsidiaries and by security interests in tangible and intangible personal property. There are no mortgages over real estate.

On June 22, 2018, Charleston Center LLC amended its secured loan of \$112.0 million increasing the amount of the loan to \$160.0 million and extending its maturity from August 27, 2019 to June 22, 2021. Proceeds from the additional borrowing were used to repay the outstanding balance on the Revolving Credit Facility in July 2018. The amended loan continues to bear interest at a rate of LIBOR plus 2.35% per annum. The loan has no amortization and is non-recourse to Belmond.

The weighted average duration of Belmond's debt, including debt held by consolidated variable interest entities, is 4.7 years, and the weighted average interest rate is 4.41%, which incorporates derivatives used to mitigate interest rate risk. See Note 12 to the Financial Statements regarding the maturity of long-term debt.

Debt of consolidated variable interest entities at December 31, 2018 included above comprised \$160.6 million (2017 - \$112.9 million), including the current portion but before deduction of unamortized debt issuance costs, of debt obligations of Charleston Center LLC, owner of Belmond Charleston Place in which Belmond has a 19.9% equity investment.

Including debt of consolidated variable entities, approximately 28% of the outstanding principal was drawn in euros and the balance in U.S. dollars. At December 31, 2018, 50% of borrowings of Belmond were subject to floating interest rates.

Belmond has contingently guaranteed debt obligations of certain of its joint ventures. The following table summarizes these commitments at December 31, 2018:

	Contingent guarantee	Duration
December 31, 2018	\$ millions	
PeruRail joint venture:		
Concession performance	11.6	through May 2019
Peru hotel joint venture:		
Debt obligations	14.0	through 2021
Total	25.6	

Belmond has contingently guaranteed, through 2021, \$14.0 million of debt obligations of the joint venture in Peru that operates five hotels. Belmond has also contingently guaranteed the FTSA joint venture's obligations relating to the performance of its governmental rail concessions, currently in the amount of \$11.6 million, through May 2019. The contingent guarantees for each Peruvian joint venture may only be enforced in the event there is a change in control of the relevant joint venture, which would occur only if Belmond's ownership of the economic and voting interests in the joint venture falls below 50%, an event which has not occurred and is not expected to occur.

Table of Contents

## Contractual Obligations Summary

The following table summarizes Belmond's (excluding joint ventures) material known contractual obligations in 2019 and later years as of December 31, 2018, excluding accounts payable and accrued liabilities:

Year ended December 31,	2019 \$ millions	2020-2021 \$ millions	2022-2023 \$ millions	Thereafter \$ millions	Total \$ millions
Total long-term debt and obligations under capital leases, before deduction of discount on secured term loan and debt issuance costs	6.3	172.5	29.3	565.5	773.6
Operating leases	11.0	22.5	18.8	129.6	181.9
Other derivative instrument	—	0.8	—	—	0.8
Capital commitments	21.2	—	—	—	21.2
Interest payments	33.4	60.9	49.7	10.8	154.8
Pension obligations	0.4	0.7	0.7	5.4	7.2
	72.3	257.4	98.5	711.3	1,139.5

Interest payments have been calculated using the amortization profile of the debt outstanding at December 31, 2018, taking into account the fixed rate paid under interest rate swaps and the prevailing floating rates of interest at the year end.

At December 31, 2018, Belmond has a provision of \$0.6 million in respect of its uncertain tax positions in accordance with Accounting Standards Codification 740, Income Taxes. Belmond is unable to estimate with any certainty when, or if, these liabilities will fall due. Accordingly, they are excluded from the contractual obligations table.

## Off-Balance Sheet Arrangements

Belmond had no material off-balance sheet arrangements at December 31, 2018 other than those involving its equity investees reported in Notes 7, 8 and 26 to the Financial Statements, and those described in commitments and contingencies in Note 21 to the Financial Statements.

## Critical Accounting Policies and Estimates

The preceding discussion and analysis of Belmond's financial condition and results of operations is based on its consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Belmond management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, Belmond management evaluates these estimates. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the result of which form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. Belmond management believes the following are Belmond's most critical accounting policies and estimates.



## Table of Contents

### Long-lived assets and goodwill

Belmond management periodically evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These evaluations include analyses based on the undiscounted cash flows generated by the underlying assets, profitability information including estimated future operating results, trends or other determinants of fair value, estimated future capital expenditure and receipt of any insurance proceeds. The determination of fair value incorporates various assumptions and uncertainties, including future cash flows of the business and future growth rates, that Belmond believes are reasonable and supportable but are, however, by their nature, highly judgmental. If the value of the asset determined by these evaluations is less than its carrying amount, a loss, if any, is recognized for the difference between the fair value and the carrying value of the asset. Future adverse changes in market conditions or poor operating results of the related business may indicate an inability to recover the carrying value of the asset, thereby possibly requiring an impairment charge in the future.

Belmond recorded a combined non-cash property, plant and equipment impairment charge of \$4.8 million in the year ended December 31, 2018. This consisted of \$2.5 million at Belmond Governor's Residence and \$2.3 million at Belmond Road to Mandalay. There was an \$8.2 million impairment of property, plant and equipment in the year ended December 31, 2017. This consisted of \$7.1 million at Belmond Road to Mandalay and \$1.1 million at Belmond Northern Belle. There was a \$1.0 million impairment of property, plant and equipment in the year ended December 31, 2016 which related to Belmond Orcaella. See Notes 2 and 9 to the Financial Statements for discussion of assumptions used in calculating these charges and sensitivity to changes in these estimates.

Goodwill is evaluated at least annually for impairment, or more frequently if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. Prior to January 1, 2017, if the carrying value of the reporting unit's goodwill exceeded its implied fair value, the goodwill was deemed to be impaired and was written down by the extent of the difference. In January 1, 2017, Belmond early adopted the new guidance to simplify the accounting for goodwill impairment by removing the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. A goodwill impairment charge is now measured as the amount by which a reporting unit's carrying value exceeds its fair value, however the impairment charge is not to exceed the carrying amount of goodwill allocated to that reporting unit.

The determination of impairment incorporates various assumptions and uncertainties that Belmond believes are reasonable and supportable considering all available evidence. The determination of future cash flows of the business is based on various assumptions including future ADR and occupancy levels, operating margins and economic and market conditions. Other key assumptions include terminal capitalization rates, future growth rates and the related discount rates, which are affected by assumptions including equity yield, loan to value ratios and amortization terms and interest rates. These assumptions and uncertainties are, by their very nature, highly judgmental. If the assumptions are not met, Belmond may be required to recognize additional goodwill impairment losses.

Belmond recorded a goodwill impairment charge of \$4.7 million in the year ended December 31, 2018. This consisted of \$2.2 million at Belmond Governor's Residence, \$1.5 million at Belmond La Résidence d'Angkor, \$0.8 million at Belmond Villa San Michele and \$0.2 million at Belmond Castello di Casole. Belmond recorded a goodwill impairment charge of \$5.5 million at Belmond Cap Juluca in the year ended December 31, 2017. Belmond recorded no goodwill impairment charges during the year ended December 31, 2016. See Notes 2 and 10 to the Financial Statements for discussion of estimates used in calculating these charges and sensitivity to changes in these estimates. Other intangible assets with indefinite useful lives are also reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Belmond uses internally developed discounted future cash flow models in determining the fair value of indefinite-lived intangible assets.

Belmond recorded an impairment of other intangible assets of \$0.2 million in the year ended December 31, 2018 relating to Belmond Governor's Residence. There were no impairments of other intangible assets in the years ended

December 31, 2017 and 2016. See Notes 2 and 11 to the Financial Statements for discussion of estimates used in calculating these charges and sensitivity to changes in these estimates.



## Table of Contents

### Depreciation

Real estate and other fixed assets are recorded at cost and are depreciated over their estimated useful lives by the straight-line method. The depreciation rates on freehold buildings are up to 60 years with a 10% residual value, on trains are up to 75 years, and on machinery and other remaining assets range from 3 to 25 years. Leasehold improvements are depreciated over the shorter of the estimated useful life or the respective lease terms including lease extensions that are reasonably assured. Belmond management periodically evaluates useful lives to ensure they remain appropriate and in line with estimated usage.

### Income Taxes

Belmond's income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the carrying value of assets and liabilities, and their tax basis. In evaluating Belmond's ability to recover deferred tax assets within the jurisdiction from which they arise, Belmond considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, Belmond begins with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporates assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates Belmond is using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, Belmond considers three years of cumulative operating income or loss. Belmond maintains a valuation allowance to reduce its deferred tax assets to reflect the amount, based upon Belmond's estimates that would more likely than not be realized. If Belmond's future operations differed from those in the estimates, Belmond may need to increase or decrease the valuation allowance, which could affect its reported results.

The calculation of Belmond's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its global operations. ASC 740 addresses accounting for uncertainty in income taxes recognized in the financial statements. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Belmond recognizes tax liabilities in accordance with ASC 740 and Belmond adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from Belmond's current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

### Fair value measurements

Guidance on fair value measurements and disclosures (i) applies to certain assets and liabilities that are being measured and reported on a fair value basis, (ii) defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosure about fair value measurements and (iii) enables the reader of the financial statements to assess the inputs to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of three categories, namely quoted market prices in active markets for identical assets or liabilities (Level 1), observable market-based inputs or unobservable inputs that are corroborated by market data (Level 2), and unobservable inputs that are not corroborated by market data (Level 3).

Belmond reviews its fair value hierarchy classifications quarterly. Changes in significant observable valuation inputs identified during these reviews may trigger reclassification of fair value hierarchy levels of financial assets and liabilities. These reclassifications are reported as transfers in Level 3 at their fair values at the beginning of the period in which the change occurs and as transfers out at their fair values at the end of the period.

The fair value of Belmond's derivative financial instruments is computed based on an income approach using appropriate valuation techniques including discounting future cash flows and other methods that are consistent with accepted economic methodologies for pricing financial instruments. Where credit value adjustments exceeded 10% of the fair value of the derivatives, Level 3 inputs are assumed to have a significant impact on the fair value of the derivatives in their entirety and the valuation has been included in the Level 3 category. See Note 22 to the Financial Statements.

## Table of Contents

Belmond uses fair value measurements that are based on observable inputs wherever possible. Its valuation approaches are consistently applied and the assumptions used are reasonable in management's judgment. Belmond uses third-party valuation specialists to estimate fair value of some of its financial assets and liabilities. These specialists are primarily used to estimate the fair value for debt and derivatives, as well as for asset valuation. Management performs various reviews and validation procedures prior to utilizing these fair values in Belmond's reporting process. Based on its due diligence discussions with these specialists, Belmond maintains a current understanding of the valuation processes and related assumptions and inputs that these specialists use in developing fair values. If Belmond determines that a fair value provided is outside established parameters, management will further examine the fair value including having follow-up discussions with the specialists. All of these procedures are executed before Belmond uses the valuations in preparing its financial statements.

### Recent Accounting Pronouncements

As of December 31, 2018, Belmond had adopted all relevant accounting guidance, as reported in Note 2 to the Financial Statements. Accounting pronouncements to be adopted are also reported in Note 2 to the Financial Statements.

### ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Belmond is exposed to market risk from changes in interest rates and foreign currency exchange rates. These exposures are monitored and managed as part of its overall risk management program, which recognizes the unpredictability of financial markets and seeks to mitigate material adverse effects on consolidated earnings and cash flow. Belmond does not hold market rate sensitive financial instruments for trading purposes.

The market risk relating to interest rates arises mainly from the financing activities of Belmond. Earnings are affected by changes in interest rates on floating rate borrowings, principally based on U.S. dollar LIBOR and EURIBOR. Belmond management assesses market risk based on changes in interest rates using a sensitivity analysis. If the rate paid by Belmond increased by 100 basis points with all other variables held constant and after taking into account the 0% floor on the corporate term loan, annual net finance costs of Belmond would have increased by approximately \$3.9 million based on borrowings outstanding at December 31, 2018.

The market risk relating to foreign currencies arises from holding assets, buying, selling and financing in currencies other than the U.S. dollar, principally the euro, British pound, South African rand, Russian ruble and Brazilian real. Some non-U.S. subsidiaries of the Company borrow in local currencies, and Belmond may in the future enter into forward exchange contracts relating to purchases denominated in foreign currencies.

Twelve of Belmond's owned properties in 2018 operated in European euro territories, two in Brazilian real, one in South African rand, four in British pounds sterling, three in Botswana pula, two in Mexican peso, one in Peruvian nuevo sol, one in Russian ruble and six in various Southeast Asian currencies. Revenue derived by Venice Simplon-Orient-Express was recorded primarily in British pounds sterling, but its operating costs were mainly denominated in euros. Revenue derived by Belmond Maroma Resort and Spa, Belmond La Samanna and Belmond Miraflores Park was recorded in U.S. dollars, but the majority of the hotels' expenses were denominated in Mexican pesos, European euros and Peruvian nuevo soles, respectively. Both revenue and the majority of expenses for Belmond Cap Juluca, Belmond Governor's Residence, Belmond La Résidence D'Angkor and Belmond Road to Mandalay were recorded in U.S. dollars.

Except for the specific instances described above, Belmond's properties seek to match foreign currency earnings and costs as far as possible to provide a natural hedge against currency movements. The extent to which such a match is possible depends on the property, its guest base and the currency of the majority of its costs. Belmond hedges the U.S.

dollar value of its euro denominated net assets by drawing part of its debt in euros and designating that debt as a net investment hedge. In addition, a significant proportion of the guests at Belmond hotels located outside of the United States originate from the United States. When a foreign currency in which Belmond operates depreciates against the U.S. dollar, Belmond has some flexibility to increase prices in local currency, or vice versa. Management believes that when these factors are combined, Belmond does not face a material exposure to its net earnings from currency movements, although the reporting of Belmond's revenue and costs translated into U.S. dollars can, from period to period, be materially affected.

Belmond management uses a sensitivity analysis to assess the potential impact on net earnings of changes in foreign currency financial instruments from hypothetical changes in the foreign currency exchange rates. The primary assumption used in this model is a hypothetical 10% weakening or strengthening of the foreign currencies against the U.S. dollar. However, because Belmond does not have at December 31, 2018 any significant financial instruments in a currency other than the functional currency of the operation concerned, apart from the euro-denominated indebtedness designated as a net investment hedge discussed in Note

Table of Contents

23, there is no material potential impact on net earnings at December 31, 2018 as a result of hypothetical changes in the foreign currency exchange rates.

Disclosure for U.S. Dollar LIBOR

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to U.S. dollar LIBOR ("USD-LIBOR") interest metrics for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. The Company has material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

Table of Contents

ITEM 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of  
Belmond Ltd.  
Hamilton, Bermuda

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Belmond Ltd. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of income (loss), comprehensive income (loss), cash flows and changes in total equity (deficit) for each of the three years in the period ended December 31, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2019, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

London, England  
February 28, 2019

We have served as the Company's auditor since 2005.

69

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Table of ContentsBelmond Ltd. and Subsidiaries  
Consolidated Balance Sheet

	2018 \$'000	2017 \$'000
December 31,		
Assets		
Cash and cash equivalents	108,441	180,153
Restricted cash	1,937	3,121
Accounts receivable, net of allowances of \$539 and \$544	37,722	34,373
Due from unconsolidated companies	10,292	12,762
Prepaid expenses and other	13,340	13,327
Inventories	21,201	23,092
Total current assets	192,933	266,828
Property, plant and equipment, net of accumulated depreciation of \$439,767 and \$417,738	1,261,932	1,168,044
Investments in unconsolidated companies	69,184	64,644
Goodwill	111,072	120,220
Other intangible assets	27,141	19,778
Pension assets	187	—
Other assets	13,359	14,123
Total assets (1)	1,675,808	1,653,637
Liabilities and Equity		
Accounts payable	23,004	15,815
Accrued liabilities	103,923	79,455
Deferred revenue	40,232	32,786
Current portion of long-term debt and obligations under capital leases	6,332	6,407
Total current liabilities	173,491	134,463
Long-term debt and obligations under capital leases	753,646	700,752
Liability for pension benefit	—	650
Other liabilities	3,905	3,023
Deferred income taxes	103,952	115,381
Liability for uncertain tax positions	553	532
Total liabilities (1)	1,035,547	954,801
Commitments and contingencies (Note 21)		
Equity:		
Shareholders' equity:		
Preferred shares \$0.01 par value (30,000,000 shares authorized, issued Nil)	—	—
Class A common shares \$0.01 par value (240,000,000 shares authorized):		
Issued — 103,064,785 (2017 - 102,365,933)	1,031	1,024
Class B common shares \$0.01 par value (120,000,000 shares authorized):		
Issued — 18,044,478 (2017 - 18,044,478)	181	181
Additional paid-in capital	990,930	985,566
Retained earnings	(14,230 )	13,278



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Accumulated other comprehensive loss	(338,219 )	(301,322 )
Less: Reduction due to class B common shares owned by a subsidiary — 18,044,478 (2017 - 18,044,478)	(181 )	(181 )
Total shareholders' equity	639,512	698,546
Non-controlling interests	749	290
Total equity	640,261	698,836
Total liabilities and equity	1,675,808	1,653,637

Belmond Ltd. and Subsidiaries  
Consolidated Balance Sheets (continued)

(1) Included in Belmond Ltd.'s consolidated assets and liabilities are assets of consolidated variable interest entities ("consolidated VIEs") that can only be used to settle obligations of the consolidated VIEs and liabilities of consolidated VIEs whose creditors have no recourse to Belmond Ltd. The Company's only consolidated VIE at December 31, 2018 and December 31, 2017 is Charleston Center LLC. These assets and liabilities at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018 \$'000	December 31, 2017 \$'000
Assets		
Cash and cash equivalents	4,081	1,530
Accounts receivable, net of allowances of \$Nil and \$Nil	3,088	3,623
Prepaid expenses and other	1,435	935
Inventories	1,551	1,360
Total current assets	10,155	7,448
Property, plant and equipment, net of accumulated depreciation of \$48,852 and \$42,676	192,712	197,369
Other assets	1,995	1,450
Total assets	204,862	206,267
Liabilities		
Accounts payable	4,875	4,518
Accrued liabilities	3,926	3,291
Deferred revenue	2,589	2,835
Current portion of long-term debt and obligations under capital leases	269	255
Total current liabilities	11,659	10,899
Long-term debt and obligations under capital leases	159,354	112,069
Total liabilities	171,013	122,968

See further description in Note 7, Variable interest entities.

See notes to consolidated financial statements.



Table of ContentsBelmond Ltd. and Subsidiaries  
Statements of Consolidated Operations

Year ended December 31,	2018 \$'000	2017 \$'000	2016 \$'000
Revenue <sup>(1)</sup>	576,836	560,999	549,824
Expenses:			
Cost of services	254,157	239,850	240,097
Selling, general and administrative	257,498	238,300	198,590
Depreciation and amortization	61,278	62,852	52,396
Impairment of goodwill	4,719	5,500	—
Impairment of property, plant and equipment and other assets	4,931	8,216	1,007
Total operating costs and expenses	582,583	554,718	492,090
Gain/(loss) on disposal of property, plant and equipment and equity method investments	750	(153 )	938
Other operating income	16,907	—	—
Earnings from operations	11,910	6,128	58,672
Gain on extinguishment of debt	—	—	1,200
Interest income	1,270	1,058	853
Interest expense	(33,042 )	(32,455 )	(29,155 )
Foreign currency, net	(3,752 )	(3,034 )	9,186
(Losses)/earnings before income taxes and earnings from unconsolidated companies, net of tax	(23,614 )	(28,303 )	40,756
Provision for income taxes	(13,983 )	(6,554 )	(16,368 )
(Losses)/earnings before earnings from unconsolidated companies, net of tax	(37,597 )	(34,857 )	24,388
Earnings/(losses) from unconsolidated companies, net of tax provision/(benefit) of \$7,132, \$(4,451) and \$5,650	9,355	(10,213 )	11,013
(Losses)/earnings from continuing operations	(28,242 )	(45,070 )	35,401
Net (losses)/earnings from discontinued operations, net of tax provision of \$Nil, \$Nil and \$Nil	(10 )	122	1,032
Net (losses)/earnings	(28,252 )	(44,948 )	36,433
Net earnings attributable to non-controlling interests	(204 )	(87 )	(109 )
Net (losses)/earnings attributable to Belmond Ltd.	(28,456 )	(45,035 )	36,324

<sup>(1)</sup> Includes revenue from related parties of \$15,783,000, \$15,668,000 and \$15,458,000, respectively

See notes to consolidated financial statements.

71

---

Table of Contents

Belmond Ltd. and Subsidiaries

Statements of Consolidated Operations (continued)

	2018	2017	2016
Year ended December 31,	\$	\$	\$
Basic earnings per share			
Net earnings/(losses) from continuing operations	(0.27)	(0.44)	0.35
Net earnings/(losses) from discontinued operations	—	—	0.01
Basic net earnings/(losses) per share attributable to Belmond Ltd.	(0.28)	(0.44)	0.36
Diluted earnings per share			
Net earnings/(losses) from continuing operations	(0.27)	(0.44)	0.34
Net earnings/(losses) from discontinued operations	—	—	0.01
Diluted net earnings/(losses) per share attributable to Belmond Ltd.	(0.28)	(0.44)	0.35

See notes to consolidated financial statements.

72

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Table of Contents

## Belmond Ltd. and Subsidiaries

## Statements of Consolidated Comprehensive Income

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Net (losses)/earnings	(28,252)	(44,948)	36,433
Other comprehensive (losses)/income, net of tax:			
Foreign currency translation adjustments, net of tax provision/(benefit) of \$Nil, \$Nil and \$(809)	(39,620)	48,754	(10,848)
Change in fair value of derivatives, net of tax provision of \$Nil, \$810 and \$222	2,289	1,920	867
Change in pension liability, net of tax provision/(benefit) of \$Nil, \$73 and \$(530)	689	310	(2,119 )
Total other comprehensive (losses)/income, net of tax	(36,642)	50,984	(12,100)
Total comprehensive (losses)/income	(64,894)	6,036	24,333
Comprehensive income attributable to non-controlling interests	(459 )	(54 )	(244 )
Comprehensive (losses)/income attributable to Belmond Ltd.	(65,353)	5,982	24,089

See notes to consolidated financial statements.

Table of ContentsBelmond Ltd. and Subsidiaries  
Statements of Consolidated Cash Flows

Year ended December 31,	2018 \$'000	2017 \$'000	2016 \$'000
Cash flows from operating activities:			
Net (losses)/earnings	(28,252)	(44,948)	36,433
Less: Net (losses)/earnings from discontinued operations, net of tax	(10 )	122	1,032
Net (losses)/earnings from continuing operations	(28,242)	(45,070)	35,401
Adjustments to reconcile net (losses)/earnings to net cash provided by operating activities:			
Depreciation and amortization	61,278	62,852	52,396
Impairment of goodwill	4,719	5,500	—
Impairment of property, plant and equipment and other assets	4,931	8,216	1,007
(Gain)/loss on disposal of property, plant and equipment and equity method investments	(750 )	153	(938 )
Gain on extinguishment of debt	—	—	(1,200 )
Insurance gain recorded in other operating income	(15,710)	—	—
(Earnings)/losses from unconsolidated companies, net of tax	(9,355 )	10,213	(11,013)
Amortization of debt issuance costs and discount on secured term loan	3,003	3,682	3,044
Share-based compensation	5,364	5,809	6,272
Change in provisions for uncertain tax positions	46	160	(3,350 )
Benefit from deferred income tax	(6,219 )	(13,641)	(305 )
Other non-cash movements	3,671	1,596	567
Effect of exchange rates on net (losses)/earnings	1,121	2,424	(12,617)
Change in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(5,420 )	(633 )	1,961
Due from unconsolidated companies	2,292	(419 )	(788 )
Prepaid expense and other	(1,275 )	(349 )	668
Inventories	724	2,539	(504 )
Accounts payable	6,989	(2,488 )	877
Accrued liabilities	21,381	12,805	245
Deferred revenue	8,500	(489 )	(1,434 )
Other liabilities	707	(5,633 )	(14,121)
Other, net	928	927	148
Other cash movements:			
Dividends from equity method investees	4,290	4,440	4,449
Proceeds from insurance settlements	16,405	1,462	—
Proceeds from swap termination	359	—	—
Payment of swap termination costs	—	(2,145 )	—
Net cash provided by operating activities from continuing operations	79,737	51,911	60,765
Net cash (used in)/provided by operating activities from discontinued operations	(10 )	87	38
Net cash provided by operating activities	79,727	51,998	60,803

See notes to consolidated financial statements.

74

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Table of Contents

## Belmond Ltd. and Subsidiaries

## Statements of Consolidated Cash Flows (continued)

Year ended December 31,	2018 \$'000	2017 \$'000	2016 \$'000
Cash flows from investing activities:			
Capital expenditure to acquire property, plant and equipment	(166,080)	(67,830 )	(55,104 )
Capital expenditure to acquire intangible assets	(3,015 )	—	—
Acquisitions, net of cash acquired	(45,406 )	(68,632 )	—
Proceeds from sale of business	—	2,070	—
Proceeds from insurance settlements	7,327	13,588	—
Proceeds from sale of property, plant and equipment and equity method investments	—	—	2,746
Net cash used in investing activities from continuing operations	(207,174)	(120,804)	(52,358 )
Net cash provided by investing activities from discontinued operations	—	—	—
Net cash used in investing activities	(207,174)	(120,804)	(52,358 )
Cash flows from financing activities:			
Repurchase of shares	—	—	(1,992 )
Exercised stock options and vested share awards	7	305	17
Dividend to non-controlling interest	(16 )	—	(15 )
Issuance of long-term debt	105,082	104,739	26,000
Debt issuance costs	(1,175 )	(9,639 )	(465 )
Principal payments under long-term debt	(45,278 )	(5,654 )	(13,904 )
Net cash provided by financing activities from continuing operations	58,620	89,751	9,641
Net cash provided by financing activities from discontinued operations	—	—	—
Net cash provided by financing activities	58,620	89,751	9,641
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,364 )	7,120	(992 )
Net (decrease)/increase in cash, cash equivalents and restricted cash	(72,191 )	28,065	17,094
Cash, cash equivalents and restricted cash at beginning of period (includes \$Nil, \$Nil and \$Nil of cash presented within assets held for sale)	184,075	156,010	138,916
Cash, cash equivalents and restricted cash at end of period (includes \$Nil, \$Nil, \$Nil of cash presented within assets held for sale)	111,884	184,075	156,010

See notes to consolidated financial statements.

Table of Contents

## Belmond Ltd. and Subsidiaries

## Statements of Consolidated Total Equity

	Preferred shares at par value \$'000	Class A common shares at par value \$'000	Class B common shares at par value \$'000	Additional paid-in capital \$'000	Retained earnings \$'000	Accumulated other comprehensive loss \$'000	Class B common shares held by a subsidiary \$'000	Non- controlling interests \$'000	Total \$'000
Balance, January 1, 2016	—	1,015	181	975,419	21,734	(340,104 )	(181 )	361	658,425
Share-based compensation	—	—	—	6,272	—	—	—	—	6,272
Exercised stock options and vested share awards	—	5	—	12	—	—	—	—	17
Repurchase of shares	—	(2 )	—	(2,245 )	255	—	—	—	(1,992 )
Dividend to non-controlling interest	—	—	—	—	—	—	—	(223 )	(223 )
Comprehensive income:									
Net earnings attributable to common shares	—	—	—	—	36,324	—	—	109	36,433
Other comprehensive loss	—	—	—	—	—	(12,235 )	—	135	(12,100 )
Balance, December 31, 2016	—	1,018	181	979,458	58,313	(352,339 )	(181 )	382	686,832
Share-based compensation	—	—	—	5,809	—	—	—	—	5,809
Exercised stock options and vested share awards	—	6	—	299	—	—	—	—	305
Dividend to non-controlling interest	—	—	—	—	—	—	—	(146 )	(146 )
Comprehensive income:									
Net losses attributable to common shares	—	—	—	—	(45,035 )	—	—	87	(44,948 )
Other comprehensive income	—	—	—	—	—	51,017	—	(33 )	50,984
Balance at December 31, 2017	—	1,024	181	985,566	13,278	(301,322 )	(181 )	290	698,836
Change in accounting principle (See Note 2)	—	—	—	—	948	—	—	—	948
Restated balance December 31, 2017	—	1,024	181	985,566	14,226	(301,322 )	(181 )	290	699,784
Share-based compensation	—	—	—	5,364	—	—	—	—	5,364
Exercised stock options and vested share awards	—	7	—	—	—	—	—	—	7
Comprehensive loss:									
Net losses attributable to common shares	—	—	—	—	(28,456 )	—	—	204	(28,252 )
Other comprehensive loss	—	—	—	—	—	(36,897 )	—	255	(36,642 )
Balance at December 31, 2018	—	1,031	181	990,930	(14,230)	(338,219 )	(181 )	749	640,261

See notes to consolidated financial statements.



## Table of Contents

Belmond Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of financial statement presentation

Business

In this report the terms "Belmond," the "Company," "we," and "our" are used to refer to Belmond Ltd. and Belmond Ltd. and its consolidated subsidiaries, unless otherwise stated.

At December 31, 2018, Belmond owned, invested in or managed 36 deluxe hotels and resort properties (including the Belmond Cadogan Hotel that opened on February 28, 2019) operating in the United States, Mexico, Caribbean, Europe, Southern Africa, South America, and Southeast Asia, one stand-alone restaurant in New York, seven tourist trains in Europe, Southeast Asia and Peru, one river cruise business in Myanmar (Burma) and one canal boat business in France.

Agreement and Plan of Merger

On December 14, 2018, the Company announced that it had entered into an Agreement and Plan of Merger dated December 13, 2018 (the "Merger Agreement") with LVMH Moët Hennessy—Louis Vuitton SE ("LVMH"), Palladio Overseas Holding Limited, an indirect, wholly-owned subsidiary of LVMH ("Holding"), and Fenice Ltd., a wholly-owned subsidiary of Holding ("Merger Sub"), pursuant to which LVMH will acquire the Company. Under the Merger Agreement, the sale to LVMH will be effected by way of a merger of Merger Sub with and into the Company, with the Company being the surviving company in the merger and becoming a subsidiary of Holding.

The completion of the merger, which is expected to occur in the first half of 2019, is subject to the satisfaction or waiver of certain conditions, including the receipt of antitrust approvals in certain foreign jurisdictions and the absence of any law or governmental order prohibiting the merger. The Company held a special general meeting of its shareholders on February 14, 2019 at which time Belmond's shareholders approved the Merger Agreement and the merger. At the effective time of the merger, each issued and outstanding class A common share, par value \$0.01 per share, of the Company, other than class A common shares that are held by the Company in treasury or that are owned by LVMH, Holding or Merger Sub or by any other direct or indirect subsidiary of LVMH or the Company, will be converted automatically and without any action by the holder of the class A common shares into the right to receive \$25.00 per share in cash, without interest (and less any applicable withholding taxes). If the merger is completed, the Company will cease to be a publicly traded company and will become a subsidiary of Holding and an indirect subsidiary of LVMH. For further information on the risks relating to the sale of the Company, see Part 1—Item 1A—Risk Factors—Risks Related to the Sale of the Company. Additional information about the sale, the Merger Agreement and the merger, including circumstances under which the Merger Agreement can be terminated, as well as other terms and conditions, are set forth in the Company's Current Report on Form 8-K filed with the SEC on December 14, 2018.

Under the Merger Agreement, the Company is restricted from taking certain actions without LVMH's consent while the sale to LVMH is pending, including, among other matters, from making certain investments or acquisitions and selling certain assets, engaging in certain capital expenditures, and incurring certain indebtedness.

In addition, subject to certain exceptions, the Merger Agreement prohibits the Company from soliciting or engaging in discussion with respect to certain alternative acquisition transactions and, in certain circumstances, the Company will be required to pay a termination fee of \$92,261,000 to LVMH in order to terminate the Merger Agreement and pursue such an alternative transaction.

## Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and reflect the results of operations, financial position and cash flows of the Company and all its majority-owned subsidiaries and variable interest entities in which Belmond is the primary beneficiary. The consolidated financial statements have been prepared using the historical basis in the assets and liabilities and the historical results of operations directly attributable to Belmond, and all intercompany accounts and transactions between the Company and its subsidiaries have been eliminated. For entities where the Company does not have a controlling financial interest, the investments in those entities are accounted for using the equity or cost method, as appropriate.

## Table of Contents

### Reclassifications

During the year ended December 31, 2017 the Company corrected a prior period misstatement to reclassify an immaterial deferred tax entry related to a change of functional currency at the Company's Brazilian subsidiaries in 2014. As a result, opening Retained Earnings increased by \$5,562,000 and opening Accumulated and Other Comprehensive Income decreased by \$5,562,000, with no net change in Total Equity. There is no impact on net earnings, EPS or cash flows in any period presented.

### 2. Summary of significant accounting policies

“FASB” means Financial Accounting Standards Board. “ASC” means the Accounting Standards Codification of the FASB and “ASU” means an Accounting Standards Update of the FASB.

#### Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly-liquid investments having original maturities of three months or less.

#### Restricted cash

Restricted cash is the carrying amount of cash and cash equivalents which are bindingly restricted as to withdrawal or usage. These include deposits held as compensating balances against borrowing arrangements or under contracts entered into with others, but exclude compensating balance arrangements that do not legally restrict the use of cash amounts shown on the balance sheet.

#### Concentration of credit risk

Due to the nature of the leisure industry, concentration of credit risk with respect to trade receivables is limited. Belmond’s customer base consists of numerous customers across different geographic areas.

#### Inventories

Inventories include food, beverages, certain operating stocks and retail goods. Inventories are valued at the lower of cost or market value under the weighted average method.

#### Assets held for sale and discontinued operations

Assets held for sale represent assets of an operating entity that are to be disposed of, together as a group in a single transaction, and liabilities directly associated with the assets that will be transferred in the transaction. Belmond considers properties to be assets held for sale when management approves and commits to a formal plan actively to market a property for sale and Belmond has a signed sales contract and received a significant non-refundable deposit. Upon designation as an asset held for sale, Belmond records the carrying value of each property at the lower of its carrying value which includes allocable segment goodwill or its estimated fair value, less estimated costs to sell, and Belmond stops recording depreciation expense. Where there is no significant ongoing involvement, the gain from the sale is recorded at the date of sale.

The results of operations of an entity that either has been disposed of or is classified as held for sale are reported in discontinued operations where the sale represents a strategic shift that has or will have a major effect on our operations and financial results.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of significant renewals and betterments is capitalized and depreciated, while expenditures for normal maintenance and repairs are expensed as incurred.

## Table of Contents

Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Description	Useful lives
Buildings	Up to 60 years and 10% residual value
Trains	Up to 75 years
River cruise ship and canal boats	25 years
Furniture, fixtures and equipment	3 to 25 years
Equipment under capital lease and leasehold improvements	Lesser of initial lease term or economic life

Land and certain art and antiques are not depreciated.

### Impairment of long-lived assets

Belmond management evaluates the carrying value of long-lived assets for impairment by comparing the expected undiscounted future cash flows of the assets to the net book value of the assets if certain trigger events occur. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to current earnings. Fair value is based upon discounted cash flows of the assets at a rate deemed reasonable for the type of asset and prevailing market conditions, sales of similar assets, appraisals and, if appropriate, current estimated net sales proceeds from pending offers. Belmond evaluates the carrying value of long-lived assets based on its plans, at the time, for those assets and such qualitative factors as future development in the surrounding area, status of expected local competition and projected incremental income from renovations. Changes to Belmond's plans, including a decision to dispose of or change the intended use of an asset, can have a material impact on the carrying value of the asset.

### Investments

Investments include equity interests in and advances to unconsolidated companies and are accounted for under the equity method of accounting when Belmond has a 20% to 50% ownership interest or exercises significant influence over the investee. Under the equity method, the investment in the equity method investee or joint venture is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize Belmond's share of net earnings or losses and other comprehensive income or loss of the investee. Belmond continues to report losses up to its investment carrying amount, including any additional financial support made or committed to by Belmond. Belmond's share of earnings or losses is included in the determination of net earnings, and net investment in investees and joint ventures is included within investments in unconsolidated companies in the consolidated balance sheets.

Investments accounted for using the equity method are considered impaired when a loss in the value of the equity method investment is other than temporary. Evidence of a loss in value might include, but would not necessarily be limited to, absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain its earnings capacity that would justify the carrying amount of the investment. If Belmond determines that the decline in value of its investment is other than temporary, the carrying amount of the investment is written down to its fair value through earnings.

### Goodwill

Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. Belmond's annual goodwill impairment testing date is October 1. To test goodwill for impairment, Belmond first compares the carrying value of each reporting unit to its fair value to determine if an impairment is indicated. The fair value of reporting units is determined using internally developed discounted future cash flow models, which incorporate third



party appraisals and industry/market data (to the extent available). Prior to January 1, 2017, if an impairment was indicated, Belmond compared the implied fair value of the reporting unit's goodwill to its carrying amount. An impairment loss was measured as the excess of the carrying value of a reporting unit's goodwill over its implied fair value. On January 1, 2017 Belmond early adopted the new guidance to simplify the accounting for goodwill impairment by removing the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. A goodwill impairment charge is now measured as the amount by which a reporting unit's carrying value exceeds its fair value, however the impairment charge is not to exceed the carrying amount of goodwill allocated to that reporting unit.

When determining the fair value of a reporting unit, Belmond is required to make significant judgments that Belmond believes are reasonable and supportable considering all available internal and external evidence at the time. However, these estimates and

## Table of Contents

assumptions are, by their nature, highly judgmental. Fair value determinations are sensitive to changes in the underlying assumptions and factors including those relating to estimating future operating cash flows to be generated from the reporting unit which are dependent upon internal forecasts and projections developed as part of Belmond's routine, long-term planning process, available industry/market data (to the extent available), Belmond's strategic plans, estimates of long-term growth rates taking into account Belmond's assessment of the current economic environment and the timing and degree of any economic recovery, estimation of the useful life over which the cash flows will occur, and market participant assumptions. The assumptions with the most significant impact to the fair value of the reporting unit are those related to future operating cash flows which are forecast for a four-year period from management's budget and planning process, the terminal value which is included for the period beyond four years from the balance sheet date based on the estimated cash flow in the fourth year and a terminal growth rate ranging from 2.0% to 6.5% (December 31, 2017 - 2.2% to 6.5%), and pre-tax discount rates which for the year ended December 31, 2018 range from 10.1% to 20.1% (December 31, 2017 - 9.9% to 19.3%).

Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair values of Belmond's reporting units may include such items as (i) a prolonged weakness in the general economic conditions in which the reporting units operate and therefore negatively impacting occupancy and room rates, (ii) an economic recovery that significantly differs from Belmond's assumptions in timing and/or degree, (iii) volatility in the equity and debt markets which could result in a higher discount rate, (iv) shifts or changes in future travel patterns from Belmond's significant demographic markets that have not been anticipated, (v) changes in competitive supply, (vi) political and security instability in countries where Belmond operates and (vii) deterioration of local economies due to the uncertainty over currencies or currency unions and other factors which could lead to changes in projected cash flows of Belmond's properties as customers reduce their discretionary spending. If the assumptions used in the impairment analysis are not met or materially change, Belmond may be required to recognize additional goodwill impairment losses which may be material to the financial statements.

### Other intangible assets

Trade names have an indefinite life and therefore are not amortized, but are assessed for impairment annually or when events indicate that impairment may have occurred. Other intangible assets with definite useful lives are tested for impairment if events or changes in circumstances indicate that the asset may be impaired. Belmond uses internally developed discounted future cash flow models in determining the fair value of indefinite-lived intangible assets.

Favorable lease intangible assets are amortized over the terms of the leases, which are between 19 and 60 years. Internet sites are amortized over a period of five to ten years. Software is amortized over a period of ten years.

### Variable interest entities

Belmond analyzes its variable interests, including loans, guarantees and equity investments, to determine if an entity is a variable interest entity ("VIE"). In that assessment, Belmond's analysis includes both quantitative and qualitative considerations. Belmond bases its quantitative analysis on the forecast cash flows of the entity, and its qualitative analysis on a review of the design of the entity, organizational structure including decision-making ability, and relevant financial agreements. Belmond also uses its quantitative and qualitative analysis to determine if Belmond is the primary beneficiary and would therefore be required to consolidate the VIE.

### Fair value measurements

Assets and liabilities carried at fair value are required to be classified and disclosed in one of three categories: Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the

measurement date, Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and Level 3 — unobservable inputs for the asset or liability. Belmond reviews its fair value hierarchy classifications quarterly. Changes in significant observable valuation inputs identified during these reviews may trigger reclassification of fair value hierarchy levels of financial assets and liabilities. These reclassifications are reported as transfers at their fair values at the beginning of the period in which the change occurs and as transfers out at their fair values at the end of the period.

Derivatives are recorded in the consolidated balance sheets at fair value. The fair value of Belmond's derivative financial instruments is computed based on an income approach using appropriate valuation techniques including discounting future cash flows and other methods that are consistent with accepted economic methodologies for pricing financial instruments. The valuation process for the derivatives uses observable market data provided by third-party sources. Interest rate swaps are valued by using yield curves derived from observable interest rates to project future swap cash flows and then these cash flows are discounted back to present values. Interest rate caps are valued using a model that projects the probability of various levels of interest rates occurring in the future using observable volatilities.

## Table of Contents

In the determination of fair value of derivative instruments, a credit valuation adjustment is applied to Belmond's derivative exposures to take into account the risk of the counterparty defaulting with the derivative in an asset position and, when the derivative is in a liability position, the risk that Belmond may default. The credit valuation adjustment is calculated by determining the total expected exposure of the derivatives (incorporating both the current and potential future exposure) and then applying each counterparty's credit spread to the applicable exposure. For interest rate swaps, Belmond's own credit spread is applied to the counterparty's exposure to Belmond and the counterparties credit spread is applied to Belmond's exposure to the counterparty, and then the net credit valuation adjustment is reflected in the determination of the fair value of the derivative instrument. The credit spreads used as inputs in the fair value calculations represent implied credit default swaps obtained from a third-party credit data provider. Some of the inputs into the credit valuation adjustment are not observable and, therefore, they are considered to be Level 3 inputs. Where the credit valuation adjustment exceeds 10% of the fair value of the derivatives, Level 3 inputs are assumed to have a significant impact on the fair value of the derivatives in their entirety and the derivative is classified as Level 3.

### Derivative financial instruments

Derivative instruments are recorded on the consolidated balance sheets at fair value. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in other comprehensive income/(loss) and is subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. If a derivative instrument is not designated as a hedge for accounting purposes, the fluctuations in the fair value of the derivative are recorded in earnings.

Belmond management formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. Belmond links all hedges that are designated as fair value hedges to specific assets or liabilities on the consolidated balance sheets or to specific firm commitments. Belmond links all hedges that are designated as cash flow hedges to forecasted transactions or to floating rate liabilities on the balance sheets. Belmond management also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are designated in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items. Belmond discontinues hedge accounting prospectively when the derivative is not highly effective as a hedge, the underlying hedged transaction is no longer probable, or the hedging instrument expires, is terminated, or exercised.

Belmond is exposed to interest rate risk on its floating rate debt and management uses derivatives to manage the impact of interest rate changes on earnings and cash flows. Belmond's objective in using interest rate derivatives is to add certainty and stability to its interest expense. To accomplish this objective, Belmond primarily uses interest rate swaps as part of its interest rate risk management strategy. These swaps effectively convert the floating rate interest payments on a portion of the outstanding debt into fixed payments.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recorded in other comprehensive income/(loss) within foreign currency translation adjustment. The gain or loss relating to the ineffective portion will be recognized immediately in earnings within foreign currency, net. Gains and losses deferred in accumulated other comprehensive income/(loss) are recognized in earnings upon disposal of the foreign operation. Belmond links all hedges that are designated as net investment hedges to specifically identified net investments in foreign subsidiaries.

Belmond has net assets denominated in a variety of currencies. It hedges the U.S. dollar value of euro net assets by using net investment hedges.

## Pensions

Belmond's primary defined benefit pension plan is accounted for using actuarial valuations. Net funded status is recognized on the consolidated balance sheets and any unrecognized prior service costs or actuarial gains and losses are reported as a component of other comprehensive income/(loss) in shareholders' equity.

In determining the expected long-term rate of return on assets, management has reviewed anticipated future long-term performance of individual asset classes and the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected on the funds invested. The projected returns are based on broad equity and bond indices, including fixed interest rate gilts (United Kingdom Government issued securities) of long-term duration since the plan operates in the U.K.

## Table of Contents

Management continues to monitor and evaluate the level of pension contributions based on various factors that include investment performance, actuarial valuation and tax deductibility.

### Share-based compensation

#### Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Estimates of the grant date fair value of share options and the fair value of deferred shares and restricted shares without performance criteria on the grant date were made using the Black-Scholes option pricing model.

For awards with performance conditions, compensation expense is recognized when it becomes probable that the performance criteria specified in the awards will be achieved and, accordingly, the compensation value is adjusted following the changes in the estimates of shares likely to vest based on the performance criteria.

Expected volatilities are based on historical volatility of the Company's class A common share price and other factors. The risk-free rate for periods within the expected life is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life represents the period that share-based awards are expected to be outstanding and was determined using historical experience, giving consideration to the contractual terms of the share-based awards and vesting schedules.

At each balance sheet date before the share-based award vests, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognized in the consolidated statements of operations, with a corresponding entry in equity.

Previously recognized compensation cost is not reversed if an employee share option for which the requisite service has been rendered expires unexercised (or unconverted). If stock options are forfeited, then the compensation expense accrued is reversed. Prior to December 31, 2016, Belmond did not estimate a future forfeitures rate and did not incorporate it into the grant value on issue of the awards on the grounds of materiality. As of December 31, 2016, Belmond adopted new guidance and made an accounting policy election to allow the recognition of the effects of forfeitures in compensation cost when they occur.

### Estimates

Belmond bases its estimates on historical experience and also on assumptions that Belmond believes are reasonable based on the relevant facts and circumstances of the estimate. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates include, among others, the allowance for doubtful accounts, fair value of derivative instruments, estimates for determining the fair value of goodwill, long-lived and other intangible asset impairment, share-based compensation, depreciation and amortization, carrying value of assets including intangible assets, employee benefits,

taxes, and contingencies. Actual results may differ from those estimates.

#### Revenue recognition

Hotel and restaurant revenue is recognized when the rooms are occupied and the services are performed. Train and cruise revenue is recognized ratably over a trip. Revenue under management contracts is recognized based upon an agreed base fee and additional revenue is recognized on the attainment of certain financial results, primarily operating earnings, in each contract as defined.

Deferred revenue consisting of deposits paid in advance is recognized as revenue when the services are performed for hotels and restaurants and ratably over train and cruise trips.

#### Marketing costs

## Table of Contents

Marketing costs are expensed as incurred, and are reported in selling, general and administrative expenses. Marketing costs include costs of advertising and other marketing activities. These costs were \$45,020,000 in 2018 (2017 - \$41,590,000; 2016 - \$38,361,000).

### Interest expense

Capitalized interest during the construction of qualifying assets is capitalized and included in the cost of the asset. Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are deferred and amortized to interest expense over the term of the related debt.

### Foreign currency

The functional currency for each of Belmond's operating subsidiaries is the applicable local currency, except for properties in French West Indies, British West Indies, Peru, Cambodia, Myanmar and one property in Mexico, where the functional currency is U.S. dollars.

For foreign subsidiaries with a functional currency other than the U.S. dollar, income and expenses are translated into U.S. dollars, the reporting currency of Belmond, at the average rates of exchange prevailing during the year. The assets and liabilities are translated into U.S. dollars at the rates of exchange on the balance sheet date and the related translation adjustments are included in other comprehensive income/(loss). Translation adjustments arising from intercompany financing of a subsidiary that is considered to be long-term in nature are also recorded in other comprehensive income/(loss) as they are considered part of the net investment in the subsidiary.

Transactions in currencies other than an entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Exchange differences arising from changes in exchange rates are recognized in earnings as they occur.

### Income taxes

Belmond accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of transactions and events that have been recognized in the financial statements but have not yet been reflected in Belmond's income tax returns, or vice versa.

Deferred income taxes result from temporary differences between the carrying value of assets and liabilities recognized for financial reporting purposes and their respective tax bases. Deferred taxes are measured at enacted statutory rates and are adjusted in the period enacted rates change. All deferred tax assets and liabilities are classified as non-current and are netted according to tax-paying component and jurisdiction.

In evaluating Belmond's ability to recover deferred tax assets within the jurisdiction in which they arise, management considers all available evidence, both positive and negative, which includes reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. Management reassesses the need for valuation allowances at each reporting date. Any increase or decrease in a valuation allowance will increase or reduce respectively the income tax expense in the period in which there has been a change in judgment.

Income tax positions must meet a more-likely-than-not threshold to be recognized in the financial statements. Management recognizes tax liabilities in accordance with ASC 740 applicable to uncertain tax positions, and adjusts



these liabilities when judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from Belmond's estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which the new information becomes available, actual tax liabilities are determined or the statute of limitations has expired. Belmond recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of operations. Liabilities for uncertain tax benefits are included in the consolidated balance sheets and classified as current or non-current liabilities depending on the expected timing of payment.

#### Earnings from unconsolidated companies

Earnings from unconsolidated companies include Belmond's share of the net earnings of its equity investments.

## Table of Contents

### Earnings per share

Basic earnings per share are based upon net earnings/(losses) attributable to Belmond divided by the weighted average number of class A and B common shares outstanding for the period. Diluted earnings/(losses) per share reflect the increase in shares using the treasury stock method to reflect the impact of an equivalent number of shares as if share options were exercised and share-based awards were converted into common shares. Potentially dilutive shares are excluded when the effect would be to increase diluted earnings per share or reduce diluted losses per share.

### Accounting pronouncements adopted during the year

On January 1, 2018, the Company adopted Topic 606, Revenue from Contracts with Customers (“Topic 606”), using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for the period presented. The adoption of Accounting Standards Codification (“ASC”) 606 did not have a material impact and as such no amounts for the cumulative effect from adopting the standard were required to be recorded in opening equity as of January 1, 2018. See Note 3. Belmond’s unconsolidated companies intend to adopt the standard in the annual period beginning January 1, 2019, as permitted by the SEC.

In October 2016, the FASB issued new guidance which is intended to simplify the tax consequences of certain types of intra-entity asset transfers. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted. Belmond adopted the new guidance on January 1, 2018, using a modified retrospective basis, recognizing a credit of \$948,000 to retained earnings as of the beginning of the year of adoption.

In November 2016, the FASB issued new guidance which clarifies the classification and presentation of restricted cash in the statement of cash flows, including disclosing the nature of restricted cash and restricted cash equivalent balances. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods therein, with early adoption permitted. Belmond adopted the new guidance on January 1, 2018, using a retrospective transition method to each period presented. As a result of adopting this guidance Belmond has included in its cash and cash equivalents balances in the statement of cash flows those amounts that are deemed to be restricted cash. In addition, as cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheet, Belmond has, for each period that a statement of financial position is presented, provided a reconciliation of the totals in the statement of cash flows to the related captions in the statement of financial position together with disclosure on the nature of restricted cash balances (see Note 18).

In May 2017, the FASB issued new guidance on service concession arrangements. The guidance is effective on the same date the new revenue guidance is adopted, with early adoption permitted. Belmond adopted the new guidance on January 1, 2018. Belmond’s unconsolidated companies intend to adopt the standard in the annual period beginning January 1, 2019 in line with the adoption of the new revenue standard. Belmond is currently assessing the impact the adoption of this guidance will have on its unconsolidated companies.

### Accounting pronouncements to be adopted

In February 2016, the FASB issued its new standard on accounting for leases, which introduces a lessee model that brings most leases on the balance sheet. Under the new standard, a lessee will recognize on its balance sheet a right-of-use asset and lease liability for most leases, including operating leases. The new standard will also distinguish leases as either finance leases or operating leases. In January 2018, the FASB issued an update that clarified the application of the new leasing standard to land easements. Additionally, in July 2018, the FASB issued two updates to make targeted improvements to the new lease standard. The first update makes 16 separate narrow-scope amendments

to the new leasing standard. The second update provides entities with relief from the costs of implementing certain aspects of the new leasing standard and with an additional (and optional) transition method on adoption. It also allows lessors to not separate non-lease components from the associated lease component if certain conditions are met. An entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB issued an update which clarified the accounting by lessors when applying the new leases standard. The update addressed the following issues lessors encounter: 1) sales taxes and other similar taxes collected from lessees 2) certain lessor costs paid directly by lessees, and 3) recognition of variable payments for contracts with lease and non lease components. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein, with early adoption permitted.

The Company intends to adopt the standard in the annual period beginning January 1, 2019, using the transition method that permits the recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

## Table of Contents

We do not expect to recognize a material adjustment to retained earnings upon adoption. Belmond's unconsolidated companies intend to adopt the standard in the interim period beginning January 1, 2020, as permitted by the SEC.

The Company has substantially completed its assessment of the impact of the new standard and expects the adoption of the standard will have a material effect on its consolidated balance sheet. Upon adoption, the Company expects to recognize right-of-use assets of approximately \$45,000,000 to \$65,000,000, with corresponding lease liabilities of approximately the same amount. The standard is not expected to have a material impact on the Company's statements of consolidated operations or on the statements of consolidated cash flows. We are currently evaluating the impact of the adoption of this guidance in the financial statements of our unconsolidated companies.

The new standard provides a number of optional practical expedients in transition. The Company expects to elect: (1) the 'package of practical expedients', which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs; (2) the use-of-hindsight; and (3) the practical expedient pertaining to land easements. In addition, the new standard provides practical expedients for an entity's ongoing accounting that the Company anticipates making, such as the (1) the election for certain classes of underlying asset to not separate non-lease components from lease components and (2) the election for short-term lease recognition exemption for all leases that qualify.

In August 2017, the Financial Accounting Standards Board ("FASB") issued new guidance to make improvements to hedge accounting requirements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the interim period beginning January 1, 2019. Belmond has assessed what impact the adoption of this guidance will have on its consolidated financial statements and concluded that it will not be significant.

In February 2018, the FASB issued new guidance on reclassifying certain tax effects from accumulated other income (AOI). The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company intends to adopt the standard in the interim period beginning January 1, 2019. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements.

In July 2018, the FASB issued amendments to a variety of topics to clarify, correct errors in, or make minor improvements to the Accounting Standards Codification. Some of the amendments were effective upon issuance and others have transition guidance with effective dates for annual periods beginning after December 15, 2018. Belmond is currently evaluating the potential impact of those amendments that are not yet effective but it does not expect they will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued two new standards to improve the effectiveness of disclosures in notes to the financial statements. The first standard removes, modifies and adds certain disclosure requirements related to fair value measurements in ASC 820 and is effective for fiscal years beginning after December 15, 2019, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2020. The second standard modifies ASC 715-20 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans and is effective for fiscal years beginning after December 15, 2020, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2021. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements.

### 3. Revenue recognition

On January 1, 2018, the Company adopted Topic 606, Revenue from Contracts with Customers (“Topic 606”), using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for the period presented. The adoption of Topic 606 did not have a material impact and as such no amounts for the cumulative effect from adopting the standard were required to be recorded in opening equity as of January 1, 2018.

#### Nature of goods and services

The following is a description of principal activities from which the Company generates revenue. Revenues are recognized when control of the promised goods or services are transferred to customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company generates all of its revenue from contracts with customers.

#### Hotels

85

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## Table of Contents

Hotels revenue is recognized when the rooms are occupied and the services are performed. Revenue derived from other services, which primarily consist of food and beverage provided in the hotels, are recognized when the goods are consumed. The amount of revenue recognized is based on amounts stipulated in the contract. Payment is typically received upon check-out.

For hotels revenue, the Company recognizes revenue over time. The amount of revenue recognized is based on the relative standalone selling price of each room night. A time-elapsed output method is used to measure progress and provides a faithful depiction of the transfer of services to the customer as the value transferred to the customer is substantially the same every night of the stay.

For food and beverage revenue, the Company recognizes revenue at the time the goods and services have been provided as this is the point at which control is transferred to the customer.

### Trains and cruises

Trains and cruises revenue is recognized ratably over a trip. Revenue derived from food and beverage provided on the trains and cruises is recognized when the goods are consumed. The amount of revenue recognized is based on amounts stipulated in the contract. Payment is typically received upfront.

For trains and cruises revenue, the Company recognizes revenue over time. A time-elapsed output method is used to measure progress and provides a faithful depiction of the transfer of services to the customer as the value transferred to the customer is substantially the same every night of the trip.

For food and beverage revenue, the Company recognizes revenue at the time the goods and services have been provided as this is the point at which control is transferred to the customer.

### Management fees

Revenue under management contracts is recognized based upon on an agreed base fee and additional revenue is recognized on the attainment of certain financial results, primarily operating earnings, as specified in each contract. Management fees are typically billed and paid monthly.

For management fee revenue, the Company recognizes revenue over time. A time-elapsed output method is used to measure progress and provides a faithful depiction of the transfer of services to the customer as the value transferred to the customer is substantially the same every day. Fees are variable with the uncertainty of base fees being resolved monthly and the uncertainty of incentive fees being resolved annually. These fees are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved.

### Disaggregation of revenue

The following tables provide information about disaggregated revenue by type of service being provided, primary geographical market, and timing of revenue recognition, and includes a reconciliation of the disaggregated revenue with reportable segments:

Year ended December 31, 2018						
Europe	North America	Rest of world	Ow ned trains & cruises	Part-owned hotels	Part-owned trains	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Timing of revenue  
recognition

Goods and services transferred at a point in time	85,485	57,648	44,923	5,510	—	—	193,566
Services transferred over time	152,955	74,678	77,240	65,257	2,363	10,777	383,270
	238,440	132,326	122,163	70,767	2,363	10,777	576,836

Table of Contents

## Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	Balance, January 1, 2018 \$'000	Balance at December 31, 2018 \$'000
Receivables	34,373	37,722
Contract assets	—	—
Contract liabilities (deferred revenue)	32,786	40,232

The amount of revenue recognized in the period that was included in the opening contract liabilities was \$28,929,000. This revenue consists primarily of the provision of hotel and trains and cruises services.

Contract liabilities include payments received in advance of performance under the contract, and are realized with the associated revenue recognized under the contract.

For trains and cruises services, the timing of payment is typically upfront, therefore a contract liability is created when payment is made in advance of performance.

## Practical expedients

The Company has elected certain of the optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Company applies the practical expedient to its management fee contracts. These contracts are typically long-term and the performance obligation consists of providing hotel management services to the owner. Revenue is recognized based upon an agreed base fee and additional revenue is recognized on the attainment of certain financial results, primarily operating earnings, as specified in each contract. As such, fees are variable with the uncertainty of base fees being resolved monthly and the uncertainty of incentive fees being resolved annually. These fees are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved.

The Company has elected the practical expedient to not disclose revenue related to remaining performance obligations that are part of a contract with an original expected duration of one year or less.

The Company has elected the practical expedient to not take into account the effects of significant financing components in the transaction price when the duration of financing is one year or less.



## 4. Earnings per share

The calculation of basic and diluted earnings per share including a reconciliation of the numerator and denominator is as follows:

Year ended December 31,	2018	2017	2016
Numerator (\$'000)			
Net earnings/(losses) from continuing operations	(28,242 )	(45,070 )	35,401
Net earnings/(losses) from discontinued operations	(10 )	122	1,032
Net losses/(earnings) attributable to non-controlling interests	(204 )	(87 )	(109 )
Net earnings/(losses) attributable to Belmond Ltd.	(28,456 )	(45,035 )	36,324
Denominator (shares '000)			
Basic weighted average shares outstanding	102,780	102,169	101,586
Effect of dilution	—	—	1,369
Diluted weighted average shares outstanding	102,780	102,169	102,955
	\$	\$	\$
Basic earnings per share			
Net earnings/(losses) from continuing operations	(0.275 )	(0.441 )	0.348
Net earnings/(losses) from discontinued operations	—	0.001	0.010
Net losses/(earnings) attributable to non-controlling interests	(0.002 )	(0.001 )	(0.001 )
Net earnings/(losses) attributable to Belmond Ltd.	(0.277 )	(0.441 )	0.357
Diluted earnings per share			
Net earnings/(losses) from continuing operations	(0.275 )	(0.441 )	0.344
Net earnings/(losses) from discontinued operations	—	0.001	0.010
Net losses/(earnings) attributable to non-controlling interests	(0.002 )	(0.001 )	(0.001 )
Net earnings/(losses) attributable to Belmond Ltd.	(0.277 )	(0.441 )	0.353

The total number of share options and share-based awards excluded from computing diluted earnings per share were as follows:

Year ended December 31,	2018	2017	2016
Share options	2,260,062	2,704,707	1,679,817
Share-based awards	1,559,022	1,271,738	—
Total	3,819,084	3,976,445	1,679,817

The number of share options and share-based awards unexercised at December 31, 2018 was 3,819,084 (2017 - 3,976,445; 2016 - 3,904,614).

## 5. Significant acquisitions

## 2018 Acquisitions

## Castello di Casole

On February 7, 2018, Belmond acquired 100% of two entities that together own Castello di Casole, a 39-key luxury resort and estate in Tuscany, Italy, for a total transaction value of €40,220,000 (equivalent to \$49,257,000 at February 7, 2018), including a cash purchase price of €38,287,000 (\$46,934,000), contingent consideration with a fair value of €1,003,000 (\$1,226,000) and acquisition-related costs of €930,000 (\$1,097,000). Belmond rebranded the resort as Belmond Castello di Casole on May 11, 2018, when the incumbent operator's management agreement terminated. The property is the latest addition to Belmond's family of 'Italian Icons', which includes Belmond Hotel Cipriani in Venice and Belmond Hotel Splendido in Portofino. Located within easy access of both Florence and Siena, the resort and estate span 1,500 hectares and comprise the 39-key Castello di Casole hotel, together with vineyards, olive groves, extensive wooded Tuscan countryside, and 48 residential plots, of which 15 plots remain unsold, with one subject to a binding sale contract, and one subject to a non-binding reservation letter of intent to purchase. It is expected that two of the remaining 13 residential plots will be converted into new villas as part of the hotel inventory.

The following table summarizes the consideration paid for the hotel and the allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed at the acquisition date. The acquisition has been accounted for in accordance with ASC 805, Business Combinations, using the acquisition method of accounting whereby the total purchase price has been allocated to the acquired assets and liabilities as at February 7, 2018. The estimated fair values are final and no further adjustments will be made to the identified assets and liabilities.

	Fair value on February 7, 2018 \$'000
Consideration:	
Agreed cash consideration	46,934
Contingent consideration	1,226
Total purchase price	48,160
Assets acquired and liabilities assumed:	
Cash and cash equivalents	1,530
Other receivables	2,319
Current assets	1,355
Property, plant and equipment - hotel land and buildings	22,555
Property, plant and equipment - land plots	22,554
Other intangible assets	2,676
Current liabilities	(1,595 )
Accrued liabilities	(2,137 )
Deferred revenue	(1,261 )
Goodwill	164
Net assets acquired	48,160

The agreed cash consideration of €38,287,000 (equivalent to \$46,934,000 at February 7, 2018) was funded from existing cash reserves.

The contingent consideration arrangement required the Company to pay 50% of the net proceeds from the sale of the two residential plots that are subject to non-binding reservation letters of intent to purchase (which are recorded as part of property, plant and equipment - land plots in the table above) to the vendor if the sales occur prior to September 30, 2018. The fair value of the contingent consideration at the acquisition date was €1,003,000 (\$1,226,000), determined using an income approach based on an analysis of the likelihood of the conditions for payment being met. As the sale of the two residential plots did not occur prior to September 30, 2018, the Company is no longer required to pay the contingent consideration and the subsequent change in fair value is recorded in the statements of consolidated operations. As such, during the year ended December 31, 2018, the change in fair value of the contingent consideration of €1,003,000 (equivalent to \$1,197,000 at September 30, 2018) is recognized within other operating income in the statements of consolidated operations.

Acquisition-related costs of €930,000 (\$1,097,000) are included within selling, general and administrative expenses in the statements of consolidated operations for the year ended December 31, 2018.

Other intangible assets of \$2,676,000 was assigned to trade names that are not subject to amortization. No other intangible assets were identified and recognized.

Goodwill arising on acquisition of \$164,000 was assigned to the Owned hotels in the Company's Europe segment and consists largely of profit growth opportunities the hotel is expected to generate. None of the goodwill recognized is expected to be deductible for income tax purposes. See Note 10 for details of goodwill impairment at Belmond Castello di Casole.

The results of operations of the hotel have been included in the consolidated financial results since the date of acquisition. The following table presents information for Castello di Casole included in the Company's statements of consolidated operations from the acquisition date to the period ending December 31, 2018:

	2018 \$'000
Revenue	8,780
Earnings from continuing operations	3,760

Belmond is unable to provide pro forma results of operations for the year ended December 31, 2018 and 2017 as if the acquisition had occurred on January 1, 2017 due to the lack of reliable historical financial information.

## 2017 Acquisitions

### Cap Juluca

On May 26, 2017, Belmond acquired 100% ownership of Cap Juluca, 96-key luxury resort on the Caribbean island of Anguilla, British West Indies for a total transaction value of \$84,791,000, including an aggregate cash purchase price of \$68,652,000, acquisition-related costs of \$14,032,000 and excluding a working capital credit of \$2,107,000. On the same date, the Company assumed management of the resort, which had been independently managed, and began marketing the property under the name Belmond Cap Juluca. As one of the most recognized resorts in the Caribbean, Cap Juluca is a natural fit for the Belmond portfolio and enhances Belmond's positioning in the global luxury resort market.

The following table summarizes the consideration paid for the hotel and the allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed at the acquisition date. The acquisition has been accounted for in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations, using the acquisition method of accounting whereby the total purchase price has been allocated to the acquired assets and liabilities as at May 26, 2017. The estimated fair values are final and no further adjustments will be made to the identified assets and liabilities.

	Fair value on May 26, 2017 \$'000
Consideration:	
Agreed cash consideration	70,759
Less: Working capital adjustment	(2,107 )
Total purchase price	68,652

Assets acquired and liabilities assumed:

Cash and cash equivalents	20
Accounts receivable	112
Prepaid expenses and other	45
Inventories	108
Property, plant and equipment	59,159
Other intangible assets	6,100
Accounts payable	(595 )
Accrued liabilities	(360 )
Deferred revenue	(1,437 )
Goodwill	5,500
Net assets acquired	68,652

The purchase price of \$68,652,000 was funded from existing cash reserves and \$45,000,000 of borrowings under the Company’s prior revolving credit facility, which was repaid following the amendment and restatement to the credit agreement on July 3, 2017. See Note 12.

Acquisition-related costs which are included within selling, general and administrative expenses in the statements of consolidated operations for the year ended December 31, 2017 were \$14,032,000, related to professional fees incurred in preliminary design and planning, structuring, assessment of financing opportunities, legal, tax, accounting and engineering due diligence and the negotiation of the purchase and sale agreements, and other ancillary documents, with the principal owner and leaseholder, together with three owners of villas and separate subleases, as well as a memorandum of understanding and ground lease with the Government of Anguilla.

Other intangible assets of \$6,100,000 was assigned to trade names that are not subject to amortization. No other intangible assets were identified and recognized.

Goodwill arising on acquisition of \$5,500,000 was assigned to the Owned hotels in North America segment and consists largely of profit growth opportunities the hotel is expected to generate. None of the goodwill recognized is expected to be deductible for income tax purposes. See Note 9 for details of the fixed assets recoverability test and Note 10 for details of goodwill impairment at Belmond Cap Juluca following the impact of Hurricanes Irma and Jose

in September 2017.

At the same time, the Company entered into a 125-year ground lease for the property with the Government of Anguilla. The lease has been accounted for as an operating lease in accordance with ASC 840, Leases, with the annual rental expense recognized in selling, general and administrative expenses in the statements of consolidated operations, and future rental payments committed as at December 31, 2018 disclosed in Note 21.

91

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The results of operations of the hotel has been included in the consolidated financial results since the date of acquisition. The following table presents information for Belmond Cap Juluca included in the Company's statements of consolidated operations from the acquisition date to the period ending December 31, 2017:

	2017 \$'000
Revenue	2,435
Losses from continuing operations	(16,681)

Belmond is unable to provide pro forma results of operations for the year ended December 31, 2017 and 2016 as if the acquisition had occurred on January 1, 2016 due to the lack of reliable historical financial information.

#### 6. Assets held for sale and discontinued operations

At December 31, 2018, 2017 and 2016, no assets and liabilities were classified as held for sale.

For the years ended December 31, 2018, 2017 and 2016, the results of operations of Ubud Hanging Gardens, Bali, Indonesia and the Porto Cupecoy development on the Dutch side of St Martin, French West Indies have been presented as discontinued operations.

During the year ended December 31, 2017, a sale was completed on the shares in Northern Belle Limited, a wholly owned subsidiary that owns the Northern Belle rolling stock. During the year ended December 31, 2016, a sale was completed on the property, plant and equipment relating to the trains and carriages that were formerly operated as the Great South Pacific Express in Queensland, Australia.

##### (a) Properties sold: Northern Belle and Great South Pacific Express

On November 2, 2017, Belmond completed the sale of the shares in Northern Belle Limited, the wholly owned subsidiary that owns the rolling stock, for a sales price of £2,500,000 (equivalent to \$3,300,000 as at date of sale). A loss of \$753,000 arose on disposal and is included within gain/(loss) on disposal of property, plant and equipment and equity method investments in the statements of consolidated operations for the year ended December 31, 2017.

Table of Contents

The following is a summary of net assets sold and the loss recorded on sale for Belmond Northern Belle:

Year ended December 31,	2017	
	Northern	
	Belle	
	November 2,	
	2017	
	\$'000	
Property, plant & equipment	3,518	
Deferred income taxes	(379	)
Net working capital	110	
Net assets	3,249	
Transfer of foreign currency translation loss	690	
	3,939	
Consideration:		
Cash	3,300	
Less: Working capital adjustment	(94	)
Less: Costs to sell	(20	)
	3,186	
Loss on sale	(753	)

On April 19, 2016, Belmond completed the sale of the property, plant and equipment relating to the trains and carriages that were formerly operated as the Great South Pacific Express in Queensland, Australia for consideration of \$2,362,000 to the Company's PeruRail joint venture. The carriages were sold at their carrying value and no gain or loss arose on disposal.

(b) Results of discontinued operations

Belmond had been operating the hotel Ubud Hanging Gardens under a long-term lease arrangement with a third-party owner. The existing lease arrangement continues to 2030. Following the owner's unannounced dispossession of Belmond from the hotel in November 2013, however, Belmond was unable to continue to operate the hotel. Belmond believed that the owner's actions were unlawful and constituted a wrongful dispossession and has pursued its legal remedies under the lease. See Note 21. As Belmond is unable to operate Ubud Hanging Gardens for the foreseeable future, the hotel has been presented as a discontinued operation for all periods shown. The assets and liabilities of the hotel have not been classified as held for sale, as the hotel has not been disposed of through a sale transaction.

The Porto Cupecoy development was sold in January 2013, with the final unit disposed of in September 2014. Residual costs relating to the sale of Porto Cupecoy are presented within discontinued operations for all periods shown.



Table of Contents

Summarized results of the properties classified as discontinued operations for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Year ended December 31, 2018		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	\$'000	\$'000	\$'000
Revenue	—	—	—
Losses before tax, gain on sale and impairment	—	—	—
Losses before tax	—	—	—
Net losses from discontinued operations	—	—	—

	Year ended December 31, 2017		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	\$'000	\$'000	\$'000
Revenue	—	—	—
Earnings before tax, gain on sale and impairment	100	22	122
Earnings before tax	100	22	122
Net earnings from discontinued operations	100	22	122

	Year ended December 31, 2016		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	\$'000	\$'000	\$'000
Revenue	—	—	—
Earnings before tax, gain on sale and impairment	69	963	1,032
Earnings before tax	69	963	1,032
Net earnings from discontinued operations	69	963	1,032

The results of discontinued operations for the year ended December 31, 2018 included losses of \$10,000 at Porto Cupecoy. The years ended December 31, 2017 and 2016 included earnings of \$22,000 and \$963,000 respectively, at Porto Cupecoy due to the release of a provision in respect of tax claims from which Belmond believes it is now effectively discharged. In addition, the results of discontinued operations for the years ended December 31, 2017 and 2016 included earnings of \$100,000 and \$69,000, respectively, due to the partial release of legal fee accruals in relation to Ubud Hanging Gardens, where Belmond is pursuing legal remedies following its dispossession by the owner in November 2013. See Note 21.

Table of Contents

## 7. Variable interest entities

## (a) VIEs of which Belmond is the primary beneficiary

Belmond holds a 19.9% equity investment in Charleston Center LLC, owner of Belmond Charleston Place, Charleston, South Carolina. Belmond has also made a number of loans to the hotel. Belmond concluded that Charleston Center LLC is a VIE because the total equity at risk is insufficient for the entity to fund its operations without additional subordinated financial support, the majority of which has been provided by Belmond. Belmond is the primary beneficiary of this VIE because it is expected to absorb a majority of the VIE's expected losses and residual gains through the subordinated financial support it has provided, and has the power to direct the activities that impact the VIE's performance, based on the current organizational structure.

Assets of Charleston Center LLC that can only be used to settle obligations of the consolidated VIEs and liabilities of Charleston Center LLC whose creditors have no recourse to Belmond Ltd are presented as a footnote to the consolidated balance sheets. The third-party debt of Charleston Center LLC is secured by its net assets and is non-recourse to its members, including Belmond. The hotel's separate assets are not available to pay the debts of Belmond and the hotel's separate liabilities do not constitute obligations of Belmond. The assets of Charleston Center LLC that can only be used to settle obligations of Charleston Center LLC totaled \$204,862,000 at December 31, 2018 (December 31, 2017 - \$206,267,000) and exclude goodwill of \$40,395,000 (December 31, 2017 - \$40,395,000). The liabilities of Charleston Center LLC for which creditors do not have recourse to the general credit of Belmond totaled \$171,013,000 (December 31, 2017 - \$122,968,000).

All deferred taxes attributable to Belmond's investment in the LLC arise at the investor level and are therefore not included in the footnote to the consolidated balance sheets.

## (b) VIEs of which Belmond is not the primary beneficiary

Belmond holds a 25% equity investment in Eastern and Oriental Express Ltd., which operates the Eastern & Oriental Express luxury tourist train in Southeast Asia. Belmond concluded that the Eastern & Oriental Express joint venture is a variable interest entity because the total equity at risk is insufficient for it to fund its operations without additional subordinated financial support. The joint venture does not have a primary beneficiary because no one party has the power to direct the activities that most significantly impact the economic performance of the entity. The joint venture is accounted for under the equity method of accounting and included in earnings/(losses) before income taxes and earnings from unconsolidated companies in the statements of consolidated operations.

The carrying amounts and maximum exposure to loss as a result of Belmond's involvement with its Eastern & Oriental Express joint venture are as follows:

	Carrying amounts		Maximum exposure	
	2018	2017	2018	2017
December 31,	\$'000	\$'000	\$'000	\$'000
Investment	2,603	2,642	2,603	2,642
Due from unconsolidated company	6,157	6,302	6,157	6,302
Total	8,760	8,944	8,760	8,944

8. Investments in unconsolidated companies

Investments in unconsolidated companies represent equity interests of 50% or less and in which Belmond exerts significant influence, but does not have effective control of these unconsolidated companies and, therefore, accounts for these investments using the equity method. As at December 31, 2018, these investments include the 50% ownership in rail and hotel joint venture operations in Peru (PBH, PeruRail and FTSA), the 25% ownership in Eastern and Oriental Express Ltd, and the Buzios land joint venture which is 50% owned and further described below.

Table of Contents

In June 2007, a joint venture in which Belmond holds a 50% equity interest acquired real estate in Buzios, a beach resort area in Brazil, for a cash consideration of \$5,000,000. Belmond planned to build a hotel and villas on the acquired land and to purchase the remaining share of the joint venture company when the building permits were obtained from the local authorities. In February 2009, the Municipality of Buzios commenced a process for the expropriation of the land in exchange for a payment of fair compensation to the joint venture. In April 2011, the State of Rio de Janeiro took over the expropriation process as part of a broader State plan to develop a coastal environmental park. Under applicable law, the State had five years to carry out the expropriation in exchange for fair value, which it has failed to do by the April 18, 2016 deadline. As a result, the land returned unencumbered to the joint venture, although it can be subject to expropriation again. The Company and its joint venture partner are assessing their options, including negotiation with or litigation against the State to seek a permanent resolution of the status of the land, but in any case, the Company expects to recover its investment in the project.

Summarized financial data for Belmond's unconsolidated companies are as follows:

	2018	2017
December 31,	\$'000	\$'000
Current assets	88,721	88,119
Property, plant and equipment, net of accumulated depreciation	208,467	228,970
Other non-current assets	57,575	55,605
Non-current assets	266,042	284,575
Total assets	354,763	372,694
Current liabilities, including \$20,543 and \$24,793 current portion of third-party debt	89,341	101,668
Long-term debt	129,546	143,187
Other non-current liabilities	5,653	7,892
Non-current liabilities	135,199	151,079
Total shareholders' equity	130,223	119,947
Total liabilities and shareholders' equity	354,763	372,694

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Revenue	221,599	207,659	191,551
Gross profit <sup>(1)</sup>	147,825	141,708	135,000
Net earnings <sup>(2)</sup>	18,614	(20,778)	21,720

<sup>(1)</sup> Gross profit is defined as revenues less cost of services of the unconsolidated companies.

<sup>(2)</sup> There were no discontinued operations or cumulative effects of a change in an accounting principle in the unconsolidated companies.

Included in unconsolidated companies are Belmond's hotel and rail joint ventures in Peru, under which Belmond and the other 50% participant must contribute equally additional equity needed for the businesses. If the other participant

does not meet this obligation, Belmond has the right to dilute the other participant and obtain a majority equity interest in the affected joint venture company. Belmond also has rights to purchase the other participant's interests, which rights are exercisable in limited circumstances such as the other participant's bankruptcy.

Table of Contents

During the year ended December 31, 2018, an impairment charge of \$4,149,000 was recorded in PBH, the Peruvian joint venture in which Belmond holds a 50% interest. Belmond's equity share of this impairment was \$2,074,000 which is recorded in share of earnings from unconsolidated companies. Slower than anticipated growth at Belmond Las Casitas del Colca, one of the five hotels owned by PBH and operated under Belmond's exclusive management, triggered an impairment test of the assets within the joint venture. The carrying value of the assets was compared to management's best estimate of the fair value based on an internally developed discounted cash flow analysis, which led to an impairment charge being recorded.

During the year ended December 31, 2017, an impairment charge of \$58,531,000 was recorded in FTSA, the joint venture in which the Company has a 50% interest and that has a concession from the Government of Peru to operate the track network in southern and southeastern Peru. Belmond's equity share of this impairment is \$29,266,000 which is recorded in share of earnings from unconsolidated companies. The concession had an initial term of 30 years from 1999 with the option to apply for six 5-year extensions. In December 2017 the joint venture received a denial of its third extension request. As a result, the joint venture can no longer conclude that the remaining three extensions are probable and has therefore reduced its expectation of the total expected life of the concession to the contracted term of 35 years of which 16 years are remaining as of December 31, 2018. This triggered an impairment test of the assets within the joint venture and the shorter time period over which to recover the carrying value of the assets has led to an impairment charge being recorded in the year ended December 31, 2017. The life of the concession is now expected to expire in 2034. The Company is also a 50% owner of the PeruRail joint venture, which operates and manages rolling stock, including the Belmond Andean Explorer and Belmond Hiram Bingham, and is not anticipated to be impacted by the shortening of the expected FTSA concession life as it can continue to run trains on the track after the conclusion of FTSA's concession.

There are contingent guarantees to unconsolidated companies which are not recognized in the consolidated financial statements. The contingent guarantees for each Peruvian joint venture may only be enforced in the event there is a change in control of the relevant joint venture, which would occur only if Belmond's ownership of the economic and voting interests in the joint venture falls below 50%, an event which has not occurred and is not expected to occur. As at December 31, 2018, Belmond does not expect that it will be required to fund these guarantees relating to these joint venture companies.

Belmond has contingently guaranteed, through 2021, \$14,001,000 of debt obligations of the joint venture in Peru that operates five hotels and has contingently guaranteed the Peru rail joint venture's obligations relating to the performance of its governmental rail concessions, currently in the amount of \$11,586,000, through May 2019.

## 9. Property, plant and equipment

The major classes of property, plant and equipment are as follows:

	2018	2017
December 31,	\$'000	\$'000
Land and buildings	1,202,847	1,126,496
Machinery and equipment	192,077	181,670
Furniture, fixtures and equipment	301,751	263,716
River cruise ship and canal boats	5,024	13,900
	1,701,699	1,585,782
Less: Accumulated depreciation	(439,767 )	(417,738 )

Total property, plant and equipment, net of accumulated depreciation    1,261,932    1,168,044

The depreciation charge on property, plant and equipment of continuing operations for the year ended December 31, 2018 was \$60,192,000 (2017 - \$62,252,000; 2016 - \$51,835,000).

The table above includes the property, plant and equipment of Charleston Center LLC, a consolidated VIE, of \$192,712,000 (2017 - \$197,369,000). See Note 7.

There was \$4,832,000 capitalized interest in the year ended December 31, 2018 (2017 - \$624,000; 2016 - \$Nil).



## Table of Contents

During the year ended December 31, 2018, additions relating to work-in-progress have been reclassified from property, plant and equipment to other intangible assets. See Note 11.

During the year ended December 31, 2018, Belmond considered whether the decline in performance at Belmond Governor's Residence and Belmond Road to Mandalay as a result of the fall in tourist arrivals in Myanmar due to negative perceptions of the country indicated that the carrying amount of the businesses' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. Belmond compared the carrying value of the assets to management's best estimate of the fair value based on an internally developed discounted cash flow analysis. The combined impairment charge of \$4,775,000 is included within impairment of property, plant and equipment and other assets in the statements of consolidated operations and in the results of the operations of Belmond Governor's Residence and Belmond Road to Mandalay, which are included in Owned hotels in the Company's Rest of world segment, and in the Company's Owned trains & cruises segment, respectively.

In January 2018, the '21' Club sustained water damage which resulted in the restaurant's closure. It reopened during the course of 2018. During the year ended December 31, 2018 the Company recorded a write-off to property, plant and equipment to reflect the assets damaged of \$1,287,000 and incurred fixed costs and site clean-up costs of \$2,913,000. A corresponding insurance receivable was recorded as recovery of those amounts was expected to be probable. In the year ended December 31, 2018, the Company received \$6,922,000 of insurance proceeds related to the recovery of property damage and business interruption and a gain recognized of \$2,722,000 in other operating income in the statements of consolidated operations relating to the excess business interruption and property damage insurance recovered above the level of receivable recorded.

In September 2017, the islands of Anguilla and St Martin were hit by Hurricanes Irma and Jose when both Belmond La Samanna on St Martin and Belmond Cap Juluca on Anguilla were closed for the season. Both properties are included in Belmond's global insurance program which provides combined property damage and business interruption cover for the Caribbean as well as separate flood insurance cover. In addition, Belmond La Samanna has a separate property damage insurance policy covering the eight villas at the resort. During the year ended December 31, 2017, the Company recorded a write-off to property, plant and equipment at the two properties, and a corresponding insurance receivable as recovery of those amounts was expected to be probable. In July 2018, a final settlement was agreed with the insurer of the global insurance program. In the year ended December 31, 2018, the Company received \$32,600,000 of insurance proceeds related to the recovery of property damage and business interruption at Belmond La Samanna and Belmond Cap Juluca and recognized \$11,160,000 in other operating income in the statements of consolidated operations relating to gain contingencies at the two properties.

During the year ended December 31, 2017, Belmond considered whether the decline in performance of Belmond Road to Mandalay caused by increased competition in Myanmar indicated that the carrying amount of the business' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to management's best estimate of the fair value based on an internally developed discounted cash flow analysis. The impairment charge of \$7,124,000 is included within impairment of property, plant and equipment in the statements of consolidated operations and in the results of the operations of Belmond Road to Mandalay, which is included in the Company's Owned trains & cruises segment.

During the year ended December 31, 2017, Belmond considered whether the decline in performance of Belmond Northern Belle caused by a reduction in passenger numbers sourced mainly from regional markets in the U.K. indicated that the carrying amount of the business' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to fair value based on assumptions of potential market value. The impairment charge of \$1,092,000 is included within impairment of property, plant and equipment in the statements of consolidated operations and in the results of the

operations of Belmond Northern Belle, which is included in the Company's Owned trains & cruises segment.

During the year ended December 31, 2016, Belmond considered whether the decline in performance of Belmond Orcaella, a cruise ship in Myanmar under long-term charter, caused by increased competition in Myanmar indicated that the carrying amount of the business' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to fair value based on management's best estimate of the recoverable value. The impairment charge of \$1,007,000 is included within impairment of property, plant and equipment in the statements of consolidated operations and in the results of the operations of Belmond Orcaella, which is included in the Company's Owned trains & cruises segment.

Table of Contents

## 10. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 are as follows:

	Beginning balance at January 1, 2018						Ending balance at December 31, 2018		
	Gross goodwill amount	Accumulated impairment	Net goodwill amount	Goodwill on acquisition	Impairment	Foreign currency translation adjustment	Gross goodwill amount	Accumulated impairment	Net goodwill amount
Year ended December 31, 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Owned hotels:									
Europe	70,660	(14,202 )	56,458	164	(976 )	(3,750 )	67,074	(15,178 )	51,896
North America	71,601	(21,610 )	49,991	—	—	—	71,601	(21,610 )	49,991
Rest of world	20,530	(13,149 )	7,381	—	(3,743 )	(530 )	20,000	(16,892 )	3,108
Owned trains and cruises	7,052	(662 )	6,390	—	—	(313 )	6,739	(662 )	6,077
Total	169,843	(49,623 )	120,220	164	(4,719 )	(4,593 )	165,414	(54,342 )	111,072
	Beginning balance at January 1, 2017						Ending balance at December 31, 2017		
	Gross goodwill amount	Accumulated impairment	Net goodwill amount	Goodwill on acquisition	Impairment	Foreign currency translation adjustment	Gross goodwill amount	Accumulated impairment	Net goodwill amount
Year ended December 31, 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Owned hotels:									
Europe	64,459	(14,202 )	50,257	—	—	6,201	70,660	(14,202 )	56,458
North America	66,101	(16,110 )	49,991	5,500	(5,500 )	—	71,601	(21,610 )	49,991
Rest of world	20,581	(13,149 )	7,432	—	—	(51 )	20,530	(13,149 )	7,381
Owned trains and cruises	6,325	(662 )	5,663	—	—	727	7,052	(662 )	6,390
Total	157,466	(44,123 )	113,343	5,500	(5,500 )	6,877	169,843	(49,623 )	120,220

In the year ended December 31, 2018, goodwill of \$164,000 was recognized on the acquisition of Castello di Casole. See Note 5.

In the year ended December 31, 2017, goodwill of \$5,500,000 was recognized on the acquisition of Cap Juluca. See Note 5.

## Table of Contents

Belmond's annual impairment test date is October 1, when all reporting units with goodwill balances are reviewed for impairment. The impairment test compares the carrying value of each reporting unit to its fair value to determine if an impairment is indicated. The fair value of a reporting unit is determined using internally developed discounted future cash flow models, which include input from external valuation experts to provide discount and long term growth rates. A goodwill impairment charge is measured as the amount by which a reporting unit's carrying value exceeds its fair value, however the impairment charge is not to exceed the carrying amount of goodwill allocated to that reporting unit.

During the year ended December 31, 2018, the following non-cash goodwill impairment charges were identified and recorded within impairment of goodwill in the statements of consolidated operations:

An impairment charge of \$2,195,000 at Belmond Governor's Residence. Belmond determined that this impairment was triggered by the fall in tourist arrivals in Myanmar, due to negative perceptions of the country, adversely impacting the discounted cash flows resulting in a full impairment of the goodwill balance.

An impairment charge of \$1,548,000 at Belmond La Résidence d'Angkor. Belmond determined that the impairment was triggered by slower than anticipated growth at the hotel, which adversely impacted discounted cash flows resulting in a full impairment of the goodwill balance.

An impairment charge of \$819,000 at Belmond Villa San Michele. Belmond determined that the impairment was triggered by lower than anticipated performance and a reduction in group business, which adversely impacted discounted cash flows resulting in a full impairment of the goodwill balance.

An impairment charge of \$157,000 at Belmond Castello di Casole. Belmond determined that the impairment was triggered by lower than anticipated cash flows generated by the hotel, which adversely impacted discounted cash flows resulting in a full impairment of the goodwill balance.

During the year ended December 31, 2018, Belmond considered whether the difficult economic conditions in Russia indicated that it was more likely than not that the fair value of Belmond Grand Hotel Europe was less than its carrying value. Under the first step of the goodwill impairment test, the fair value of Belmond Grand Hotel Europe was approximately 7% in excess of its carrying value. Belmond Grand Hotel Europe had a goodwill balance of \$8,052,000 at December 31, 2018. Factors that could reasonably be expected to potentially have an adverse effect on the fair value of the reporting unit include the future operating projections of the hotel, volatility in debt or equity markets that could result in changes to the discount rate, economic sanctions and the timing and extent of recovery in the Russian economy.

During the year ended December 31, 2017, Belmond identified a non-cash goodwill impairment of \$5,500,000 at Belmond Cap Juluca. Belmond determined that this impairment was triggered by the significant adverse change in use and physical condition of the hotel following Hurricanes Irma and Jose in September 2017. Significant increases in the estimated costs of repair to the hotel negatively impacted the discounted cash flows, resulting in the full impairment of the goodwill balance.

There were no impairments to goodwill in the year ended December 31, 2016.

Table of Contents

## 11. Other intangible assets

Other intangible assets consist of the following as of December 31, 2018 and 2017:

	Favorable lease assets \$'000	Internet sites \$'000	Trade names \$'000	Software \$'000	Total \$'000
Carrying amount:					
Balance at January 1, 2017	8,501	1,658	7,579	—	17,738
Additions	—	—	6,100	—	6,100
Disposals	—	(247 )	—	—	(247 )
Foreign currency translation adjustment	59	168	322	—	549
Balance at December 31, 2017	8,560	1,579	14,001	—	24,140
Additions	—	1,858	2,676	6,230	10,764
Impairment	(468 )	—	—	—	(468 )
Disposals	—	(754 )	—	—	(754 )
Foreign currency translation adjustment	(264 )	(175 )	(1,660 )	(281 )	(2,380 )
Balance at December 31, 2018	7,828	2,508	15,017	5,949	31,302
Accumulated amortization:					
Balance at January 1, 2017	2,636	1,225	—	—	3,861
Charge for the year	434	166	—	—	600
Disposals	—	(247 )	—	—	(247 )
Foreign currency translation adjustment	22	126	—	—	148
Balance at December 31, 2017	3,092	1,270	—	—	4,362
Charge for the year	347	258	—	481	1,086
Disposals	—	(754 )	—	—	(754 )
Impairment	(312 )	—	—	—	(312 )
Foreign currency translation adjustment	(115 )	(84 )	—	(22 )	(221 )
Balance at December 31, 2018	3,012	690	—	459	4,161
Net book value:					
December 31, 2016	5,865	433	7,579	—	13,877
December 31, 2017	5,468	309	14,001	—	19,778
December 31, 2018	4,816	1,818	15,017	5,490	27,141

Favorable lease intangible assets are amortized over the terms of the leases, which are between 19 and 60 years. Internet sites are amortized over a period of five to ten years. Software is amortized over a period of ten years. Trade names have an indefinite life and therefore are not amortized, but are assessed for impairment annually or when events

indicate that impairment may have occurred.

101

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## Table of Contents

In the year ended December 31, 2018, trade name additions of \$2,676,000 were recognized on the acquisition of Castello di Casole. See Note 5.

In the year ended December 31, 2018, software additions of \$6,230,000 were recognized in relation to the Company's new enterprise resource planning and customer relationship management systems and internet sites additions of \$1,858,000 were recognized in relation to the overhaul of the Company's website. These additions relating to work-in-progress have been reclassified from property, plant and equipment to other intangible assets.

In the year ended December 31, 2017, trade name additions of \$6,100,000 were recognized on the acquisition of Cap Juluca. See Note 5.

Amortization expense from continuing operations for the year ended December 31, 2018 was \$1,086,000 (2017 - \$600,000; 2016 - \$561,000). Estimated amortization expense for each of the years ending December 31, 2019 to December 31, 2023 is approximately \$1,750,000.

During the year ended December 31, 2018, Belmond identified a non-cash favorable lease asset impairment of \$156,000 at Belmond Governor's Residence. Belmond determined that the impairment was triggered by the fall in tourist arrivals in Myanmar, due to negative perceptions of the country, adversely impacting the discounted cash flows, resulting in a full impairment of the favorable lease asset balance. The favorable lease asset impairment charge is included within impairment of property, plant and equipment and other assets in the statements of consolidated operations.

In the years ended December 31, 2017 and 2016, no impairments of other intangible assets were recognized.

The trade names of Belmond Cap Juluca, Belmond Grand Hotel Europe and Belmond Castello di Casole were tested for impairment as of October 1, 2018. Under the first step of the impairment test, the fair value of the Belmond Cap Juluca trade name was approximately 225% in excess of its carrying value, the fair value of the Belmond Grand Hotel Europe trade name was approximately 31% in excess of its carrying value and the fair value of the Belmond Castello di Casole trade name was approximately 32% in excess of its carrying value. Belmond Cap Juluca, Belmond Grand Hotel Europe and Belmond Castello di Casole had trade name balances of \$6,100,000, \$6,419,000 and \$2,498,000, respectively, at December 31, 2018. See Note 10 for discussion of factors that could reasonably be expected to potentially have an adverse effect on the fair value of the Belmond Grand Hotel Europe and Belmond Castello di Casole trade names.

## 12. Debt and obligations under capital lease

### (a) Long-term debt and obligations under capital lease

Long-term debt and obligations under capital lease consists of the following:

	2018	2017
December 31,	\$'000	\$'000
Loans from banks and other parties collateralized by tangible and intangible personal property and real estate with a maturity of two to six years (2017 - 20 months to seven years), with a weighted average interest rate of 4.41% (2017 - 4.11%)	773,548	724,208
Obligations under capital lease	68	22

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Total long-term debt and obligations under capital leases	773,616	724,230
Less: Current portion	6,332	6,407
Less: Discount on secured term loan	2,642	3,092
Less: Debt issuance costs	10,996	13,979
Non-current portion of long-term debt and obligations under capital lease	753,646	700,752



Table of Contents

On July 3, 2017, Belmond entered into an amended and restated credit agreement (the "Amended and Restated Credit Agreement"), which had previously consisted of (a) a seven-year \$551,955,000 term loan facility consisting of a \$345,000,000 U.S. dollar tranche and a €150,000,000 euro-denominated tranche (equivalent to \$206,955,000 at drawdown), scheduled to mature on March 21, 2021; and (b) a \$105,000,000 revolving credit facility scheduled to mature on March 21, 2019.

The Amended and Restated Credit Agreement provides the Company with (i) a seven-year \$603,434,000 secured term loan (the "Term Loan Facility") that matures on July 3, 2024 and (ii) a \$100,000,000 revolving credit facility (the "Revolving Credit Facility") that matures on July 3, 2022 (together the "Secured Credit Facilities").

The Term Loan Facility has two tranches, a U.S. dollar tranche (\$394,000,000 currently outstanding) and a euro-denominated tranche (€176,315,000 currently outstanding, equivalent to \$201,780,000 as at December 31, 2018). The dollar tranche bears interest at a rate of LIBOR plus 2.75% per annum, and the euro tranche bears interest at a rate of EURIBOR plus 3.00% per annum. Both tranches are subject to a 0% interest rate floor. The annual mandatory amortization is 1% of the principal amount.

The Revolving Credit Facility has a maturity of five years and bears interest at a rate of LIBOR plus 2.50% per annum, with a commitment fee of 0.4% paid on the undrawn amount.

The Secured Credit Facilities are secured by pledges of shares in certain Company subsidiaries and by security interests in tangible and intangible personal property. There are no mortgages over real estate.

As at December 31, 2018, Belmond was financed with a \$595,780,000 Term Loan Facility and a \$100,000,000 Revolving Credit Facility. In March 2018, Belmond made drawdowns totaling \$38,862,000 on its Revolving Credit Facility which it repaid in full in July 2018. In December 2018, Belmond made drawdowns of €15,000,000 (equivalent to \$17,168,000 as at December 31, 2018) on its Revolving Credit Facility leaving an undrawn balance of \$82,832,000.

In April 2017, Belmond made a drawdown of \$45,000,000 on its prior Revolving Credit Facility in connection with the acquisition of Cap Juluca, which was repaid following the Amended and Restated Credit Agreement on July 3, 2017. See Note 5.

On June 22, 2018, Charleston Center LLC amended its secured loan of \$112,000,000 increasing the amount of the loan to \$160,000,000 and extending its maturity from August 27, 2019 to June 22, 2021. Proceeds from the additional borrowing were used to repay the outstanding balance on the Revolving Credit Facility in July 2018. The amended loan continues to bear interest at a rate of LIBOR plus 2.35% per annum. The loan has no amortization and is non-recourse to Belmond.

The following is a summary of the aggregate maturities of long-term debt, including obligations under capital lease, at December 31, 2018:

Year ended December 31,	\$'000
2019	6,332
2020	6,386
2021	166,097
2022	23,215
2023	6,049
2024 and thereafter	565,537
Total long-term debt and obligations under capital lease	773,616

The Company has guaranteed \$612,946,000 of the long-term debt of its subsidiary companies as at December 31, 2018 (2017 - \$611,351,000).

The tables above include the debt of Charleston Center LLC of \$160,602,000 at December 31, 2018 (2017 - \$112,857,000). The debt is non-recourse to Belmond and includes \$160,000,000 which was refinanced in June 2018.

Debt issuance costs related to the above outstanding long-term debt were \$10,996,000 at December 31, 2018 (December 31, 2017 - \$13,979,000), including \$979,000 at December 31, 2018 (December 31, 2017 - \$533,000) related to the debt of Charleston Center LLC, a consolidated VIE, and are amortized to interest expense over the term of the corresponding long-term debt.

Table of Contents

## (b) Revolving credit and working capital facilities

Belmond had approximately \$100,571,000 of revolving credit and working capital facilities at December 31, 2018 (2017 - \$100,598,000) of which \$83,404,000 was available (2017 - \$100,598,000).

## 13. Other liabilities

The major balances in other liabilities are as follows:

	2018	2017
December 31,	\$'000	\$'000
Interest rate swaps (see Note 23)	1,258	—
Long-term income tax liability	1,769	2,143
Deferred gain on sale of Inn at Perry Cabin by Belmond	—	750
Deferred lease incentive	78	130
Other derivative instrument (Note 23)	800	—
Total other liabilities	3,905	3,023

## 14. Pensions

From January 1, 2003, a number of non-U.S. Belmond employees participated in a funded defined benefit pension plan in the United Kingdom called the Belmond (UK) Ltd. 2003 Pension Scheme. On May 31, 2006, the plan was closed for future benefit accruals.

The significant weighted-average assumptions used to determine net periodic costs of the plan during the year were as follows:

	2018	2017	2016
Year ended December 31,	%	%	%
Discount rate	2.50	2.70	3.85
Expected long-term rate of return on plan assets	3.96	3.87	4.90

The significant weighted-average assumptions used to determine benefit obligations of the plan at year end were as follows:

	2018	2017
December 31, %	%	%
Discount rate	2.80	2.50

The discount rate effectively represents the average rate of return on high quality corporate bonds at the end of the year in the country in which the benefit obligations arise.

The expected rate of return on the pension fund assets, net of expenses has been determined by considering the actual asset classes held by the plan at December 31, 2018 and the yields available on U.K. government bonds at that date.

For equities and corporate bonds, management has assumed that long-term returns will exceed those expected on U.K. government bonds by a risk premium. This is based on historical equity and bond returns over the long term. As these

returns are long-term expected returns, the total returns on equities and corporate bonds only vary in line with the U.K. government bond yields and are not further adjusted for current market trends.

Table of Contents

The expected returns on annuities are set equal to the end of year discount rate as the value of annuities is tied to that rate.

The fair value of Belmond's pension plan assets at December 31, 2018 and 2017 by asset category is as follows:

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
December 31, 2018				
Cash	733	733	—	—
Equity securities:				
U.K. managed funds	3,800	3,800	—	—
Overseas managed funds	7,437	7,437	—	—
Fixed income securities:				
U.K. government bonds	3,701	3,701	—	—
Corporate bonds	3,910	3,910	—	—
Other types of investments:				
Quoted hedge funds	4,091	4,091	—	—
Annuities	1,892	—	—	1,892
	25,564	23,672	—	1,892
December 31, 2017				
Cash	1,908	1,908	—	—
Equity securities:				
U.K. managed funds	4,529	4,529	—	—
Overseas managed funds	8,486	8,486	—	—
Fixed income securities:				
U.K. government bonds	3,058	3,058	—	—
Corporate bonds	3,437	3,437	—	—
Other types of investments:				
Quoted hedge funds	4,635	4,635	—	—
Annuities	2,179	—	—	2,179
	28,232	26,053	—	2,179

The value of the annuities is the present value at the measurement date of the expected future cashflows under the annuity policy in which significant unobservable inputs were used. Therefore, we have classified the annuities as Level 3 assets.

All other assets are valued using quoted market prices in active markets or other observable inputs.

Table of Contents

Reconciliations of fair value measurements using significant unobservable inputs (Level 3) at December 31, 2018 and 2017 are as follows:

	Annuities
Year ended December 31, 2018	\$'000
Beginning balance at January 1, 2018	2,179
Foreign exchange	(129 )
Actual return on plan assets:	
Assets still held at the reporting date	(88 )
Purchases, sales and settlements, net	(70 )
Ending balance at December 31, 2018	1,892

	Annuities
Year ended December 31, 2017	\$'000
Beginning balance at January 1, 2017	1,942
Foreign exchange	190
Actual return on plan assets:	
Assets still held at the reporting date	120
Purchases, sales and settlements, net	(73 )
Ending balance at December 31, 2017	2,179

The allocation of the assets was in compliance with the target allocation set out in the plan investment policy, the principal objectives of which are to deliver returns above those of government and corporate bonds and to minimize the cost of providing pension benefits.

Table of Contents

The changes in the benefit obligation, the plan assets and the funded status for the plan were as follows:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Change in benefit obligation:			
Benefit obligation at beginning of year	28,882	25,465	24,556
Interest cost	705	713	861
Actuarial loss/(gain)	(2,027 )	663	5,259
Benefits paid	(556 )	(485 )	(529 )
Foreign currency translation	(1,627 )	2,526	(4,682 )
Benefit obligation at end of year	25,377	28,882	25,465
Change in plan assets:			
Fair value of plan assets at beginning of year	28,232	24,018	24,202
Actual return on plan assets	(1,013 )	1,264	3,116
Employer contributions	527	1,009	1,730
Benefits paid	(556 )	(485 )	(529 )
Foreign currency translation	(1,626 )	2,426	(4,501 )
Fair value of plan assets at end of year	25,564	28,232	24,018
Funded status at end of year	187	(650 )	(1,447 )
Net actuarial (gain)/loss recognized in other comprehensive loss	(689 )	(383 )	2,649

Amounts recognized in the consolidated balance sheets consist of the following:

	2018	2017
December 31,	\$'000	\$'000
Non-current assets	187	—
Non-current liabilities	—	650

Amounts recognized in accumulated other comprehensive loss gross of tax consist of the following:

	2018	2017
December 31,	\$'000	\$'000
Net loss	(11,511)	(12,200)
Prior service cost	—	—
Net transitional obligation	—	—
Total amount recognized in accumulated other comprehensive loss	(11,511)	(12,200)





Table of Contents

The following table details certain information with respect to Belmond's U.K. defined benefit pension plan:

	2018	2017
Year ended December 31,	\$'000	\$'000
Projected benefit obligation	25,377	28,882
Accumulated benefit obligation	25,377	28,882
Fair value of plan assets	25,564	28,232

Components of net periodic benefit cost are as follows:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Service cost	—	—	—
Interest cost on projected benefit obligation	705	713	861
Expected return on assets	(1,081)	(997)	(1,121)
Net amortization and deferrals	756	780	615
Net periodic benefit cost	380	496	355

Belmond (UK) Ltd., the plan sponsor and a wholly owned subsidiary of the Company ("Belmond UK"), was previously obligated to pay £1,272,000 (equivalent to \$1,615,000 at December 31, 2018) annually to the plan under the U.K. statutorily-mandated triennial negotiation with the plan's trustees. With a new triennial arrangement that came into effect in June 2017, the funding obligation was reduced from £106,000 to £24,000 (equivalent to \$135,000 and \$30,000, respectively, as at December 31, 2018) per month. Under the prior contribution level, the plan's funding deficit was projected to be fully funded by the end of 2017. With the current funding level, Belmond UK is obligated to continue funding until the audited financials of the plan for the year ended December 31, 2018 are available. If no unfunded balance remains, Belmond UK shall be able to suspend further payments, but otherwise it will be expected to continue paying its monthly contribution, subject to any subsequent triennial negotiation with the plan's trustees. However, pursuant to the terms of the new triennial arrangement, once the plan is fully funded, Belmond UK will remain obligated to restore the plan to a fully funded balance over the remainder of the period through December 31, 2021 should its position deteriorate.

In May 2014, Belmond Ltd. guaranteed the payment obligations of Belmond UK through 2023, subject to a cap of £8,200,000 (equivalent to \$10,414,000 at December 31, 2018), which reduces commensurately with every payment made to the plan since December 31, 2012. As part of the recent triennial negotiation referred to above, Belmond reinstated this guarantee effective July 1, 2017, for the period through 2026 and reset the cap from December 31, 2015 at £8,200,000, which as before will reduce with each payment made to the plan over the period.

The following benefit payments, which reflect assumed future service, are expected to be paid:

Year ended December 31,	\$'000
2019	629
2020	504
2021	648
2022	549

2023	652
Next five years	5,032

The estimated net loss amortized from accumulated other comprehensive income/(loss) into net periodic pension cost in the next fiscal year is \$240,000.

108

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Table of Contents

Certain employees of Belmond were members of defined contribution pension plans. Total contributions to the plans were as follows:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Employers' contributions	2,304	2,030	2,052

## 15. Income taxes

The Company is incorporated in Bermuda and migrated its tax residence to the United Kingdom on April 1, 2015. Belmond's effective tax rate is significantly affected by its mix of income and loss in various jurisdictions as there is significant variation in the income tax rate imposed and also by the effect of losses in jurisdictions where the tax benefit is not recognized.

In the year ended December 31, 2018, the additional tax attributable to taxation rates in excess of the territory where Belmond Ltd. is tax resident had the impact of increasing the provision for income taxes by \$8,316,000 (2017: \$13,874,000, 2016: \$9,509,000).

Accordingly, the income tax provision is attributable to income tax charges incurred by subsidiaries operating in jurisdictions that impose an income tax, and is impacted by the effect of valuation allowances and uncertain tax positions. The income tax provision is also affected by certain items that may occur in any given year, but are not consistent from year to year.

The provision for income taxes consists of the following:

Year ended December 31, 2018	Provision for income taxes			
	Pre-tax (loss)/ income \$'000	Current \$'000	Deferred \$'000	Total \$'000
UK	(25,025)	3,893	—	3,893
Bermuda	(7,161)	—	—	—
United States	4	832	(1,789)	(957)
Brazil	3,863	1,810	51	1,861
Italy	15,748	5,701	(7,328)	(1,627)
Peru	14,876	5,044	(298)	4,746
Rest of the world	(25,919)	2,926	3,141	6,067
	(23,614)	20,206	(6,223)	13,983

Year ended December 31, 2017	Provision for income taxes			
	Pre-tax (loss)/ income \$'000	Current \$'000	Deferred \$'000	Total \$'000

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UK	(18,518)	1,671	(372)	) 1,299
Bermuda	(34,873)	—	—	—
United States	(1,850)	) 3,332	(12,987)	(9,655)
Brazil	2,193	2,322	(804)	) 1,518
Italy	20,265	5,359	972	6,331
Peru	14,367	4,712	248	4,960
Rest of the world	(9,887)	) 2,800	(699)	) 2,101
	(28,303)	20,196	(13,642)	6,554

Table of Contents

Year ended December 31, 2016	Provision for income taxes			
	Pre-tax (loss)/ income \$'000	Current \$'000	Deferred \$'000	Total \$'000
UK	(6,702 )	949	(444 )	505
Bermuda	160	—	—	—
United States	2,681	(1,510 )	(1,978 )	(3,488 )
Brazil	15,303	5,498	(121 )	5,377
Italy	19,971	4,468	1,998	6,466
Peru	13,965	4,261	1,625	5,886
Rest of the world	(4,622 )	3,007	(1,385 )	1,622
	40,756	16,673	(305 )	16,368

The reconciliation of (losses)/earnings before provision for income taxes and earnings from unconsolidated companies, net of tax at the statutory tax rate to the provision for income taxes is shown in the table below:

Year ended December 31,	2018 \$'000	2017 \$'000	2016 \$'000
(Losses)/earnings before provision for income taxes and earnings from unconsolidated companies, net of tax	(23,614)	(28,303)	40,756
Tax (benefit)/charge at statutory tax rate of 19%, 19.25% and 20%	(4,487 )	(5,448 )	8,151
Exchange rate movements on deferred tax	657	2,400	(1,785 )
Notional interest deductions	(1,289 )	(960 )	(1,812 )
Imputed cross border charges	815	763	995
Disallowable goodwill impairment charges	1,093	—	—
Other permanent disallowable expenditure	5,159	3,664	483
Change in valuation allowance	5,547	2,215	4,876
Difference in taxation rates	8,316	13,874	9,509
(Reduction in)/additional deferred tax liability in respect of VIE	(1,732 )	7,263	—
Change in provisions for uncertain tax positions	46	160	(3,350 )
Change in tax rates	—	(19,807)	(643 )
Transition tax in U.S.	(190 )	2,330	—
Other	48	100	(56 )
Provision for income taxes	13,983	6,554	16,368

Table of Contents

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following summarizes Belmond's net deferred tax assets and liabilities:

Year ended December 31,	2018 \$'000	2017 \$'000	2016 \$'000
Operating loss carry-forwards	54,465	58,185	82,292
Pensions	—	95	255
Stock options	680	703	3,617
Other	9,226	8,184	8,283
Less: Valuation allowance	(50,951 )	(49,337 )	(70,241 )
Net deferred tax assets	13,420	17,830	24,206
Other	(6,763 )	(4,817 )	(5,032 )
Property, plant and equipment	(110,609 )	(128,206 )	(141,231 )
Deferred tax liabilities	(117,372 )	(133,023 )	(146,263 )
Net deferred tax liabilities	(103,952 )	(115,193 )	(122,057 )

Non-current deferred income tax liabilities are presented separately on the face of the consolidated balance sheets for all periods and non-current deferred tax assets are included within Other assets.

The gross amount of tax loss carry-forwards is \$270,615,000 at December 31, 2018 (2017 - \$316,418,000). Of this amount, \$15,305,000 will expire in the five years ending December 31, 2023 and a further \$15,459,000 will expire in the five years ending December 31, 2028. The remaining losses of \$239,851,000 will expire after December 31, 2028 or have no expiry date. After weighing all positive and negative evidence, a valuation allowance has been provided against deferred tax assets where management believes it is more likely than not that the benefits associated with these assets will not be realized.

A deferred tax liability of \$1,966,000 (2017 - \$1,611,000) has been recognized in respect of income taxes and foreign withholding taxes on the excess of the amount for financial reporting purposes over the tax basis of the investments in foreign joint ventures. Except for earnings that are currently distributed, income taxes and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting purposes over the tax basis of investments in foreign subsidiaries because they are either essentially permanent in duration or because no tax liability would arise. The cumulative amount of such unremitted earnings is approximately \$1,388,000,000 at December 31, 2018 (2017 - \$1,406,000,000). The determination of the additional deferred taxes that have not been provided is not practical.

Belmond's 2018 tax charge of \$13,983,000 (2017 - tax charge of \$6,554,000; 2016 - tax charge of \$16,368,000) included a charge of \$46,000 (2017 - charge of \$160,000; 2016 - credit of \$3,350,000) in respect of the provision for uncertain tax positions, of which a charge of \$6,000 (2017 - charge of \$15,000; 2016 - credit of \$639,000) related to the potential interest and penalty costs associated with the uncertain tax positions.

The 2018 provision for income taxes included a deferred tax provision of \$5,547,000 in respect of valuation allowances due to a change in judgment concerning Belmond's ability to realize loss carryforwards and other deferred tax assets in certain jurisdictions compared to a \$2,215,000 provision in 2017.



Table of Contents

At December 31, 2018, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2018	Total \$'000	Principal \$'000	Interest \$'000	Penalties \$'000
Balance, January 1, 2018	532	438	26	68
Additional uncertain tax provision identified during the year	128	109	1	18
Increase to uncertain tax provision on prior year positions	21	9	12	—
Decreases as a result of expiration of the statute of limitations	(103)	(78)	(8)	(17)
Foreign exchange	(25)	(20)	(2)	(3)
Balance at December 31, 2018	553	458	29	66

At December 31, 2018, Belmond recognized a \$553,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2018, if recognized, would affect the effective tax rate.

At December 31, 2017, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2017	Total \$'000	Principal \$'000	Interest \$'000	Penalties \$'000
Balance at January 1, 2017	318	249	21	48
Additional uncertain tax provision identified during the year	215	197	1	17
Increase to uncertain tax provision on prior year positions	27	17	7	3
Decreases as a result of expiration of the statute of limitations	(82)	(69)	(3)	(10)
Foreign exchange	54	44	—	10
Balance at December 31, 2017	532	438	26	68

At December 31, 2017, Belmond recognized a \$532,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2017, if recognized, would affect the effective tax rate.

At December 31, 2016, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2016	Total \$'000	Principal \$'000	Interest \$'000	Penalties \$'000
Balance, January 1, 2016	3,678	2,967	656	55
Additional uncertain tax provision identified during the year	78	61	4	13
Increase to uncertain tax provision on prior year positions	4	—	4	—
Uncertain tax provisions settled during the year	(3,308)	(2,668)	(640)	—
Decreases as a result of expiration of the statute of limitations	(124)	(104)	(2)	(18)
Foreign exchange	(10)	(7)	(1)	(2)
Balance, December 31, 2016	318	249	21	48

At December 31, 2016, Belmond recognized a \$318,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2016, if recognized, would affect the effective tax rate.

Certain subsidiaries of the Company are subject to taxation in the United States and various states and other non-U.S. jurisdictions. As of December 31, 2018, the earliest year in any jurisdiction which is open to examination by the tax authorities is 2003.





Table of Contents

Belmond believes that it is reasonably possible that within the next 12 months the uncertain tax provision will decrease by approximately \$100,000 as a result of expiration of uncertain tax positions in certain jurisdictions in which Belmond operates. These amounts relate primarily to transfer pricing inquiries with the tax authorities.

## 16. Interest expense

The balances in interest expense are as follows:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Interest expense on long-term debt and obligations under capital lease	34,346	29,425	27,090
Interest on legal settlements	525	(28 )	(979 )
Amortization of debt issuance costs and discount on secured term loan	3,003	3,682	3,044
Interest capitalized	(4,832 )	(624 )	—
Total interest expense	33,042	32,455	29,155

## 17. Supplemental cash flow information

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Cash paid during the period for:			
Interest	34,606	30,329	40,930
Income taxes, net of refunds	16,681	19,838	19,804

To reflect the actual cash paid for capital expenditure to acquire property, plant and equipment, increases in accounts payable for capital expenditure are non-cash and excluded from capital expenditure, while decreases are cash payments and included. The changes in accounts payable were a decrease of \$127,000 and an increase of \$661,000 for the years ended December 31, 2018 and 2017, respectively.

During the years ended December 31, 2017 and 2016, cash paid during the period for interest included the payment of accrued interest on a 1984 development loan from a municipal agency that was fully repaid by Charleston Center LLC in June 2016.

## 18. Cash, cash equivalents and restricted cash

The major balances in cash, cash equivalents and restricted cash are as follows:

	2018	2017
December 31,	\$'000	\$'000
Cash and cash equivalents	108,441	180,153
Cash deposits required to be held with lending banks as collateral	1,506	801
Prepaid customer deposits which will be released to Belmond under its revenue recognition policy	1,894	2,488
Bonds and guarantees	43	633

Total cash, cash equivalents and restricted cash	111,884	184,075
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113

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## Table of Contents

Restricted cash classified as long-term and included in other assets on the consolidated balance sheet at December 31, 2018 was \$1,506,000 (December 31, 2017 - \$801,000).

### 19. Shareholders' equity

#### (a) Dual common share capitalization

The Company has been capitalized with class A common shares, of which there are 240,000,000 authorized, and class B common shares, of which there are 120,000,000 authorized, each convertible at any time into one class A common share. In general, holders of class A and class B common shares vote together as a single class, with holders of class B shares having one vote per share and holders of class A shares having one tenth of one vote per share. In all other substantial respects, the class A and class B common shares are the same.

#### (b) Shareholder rights agreement

The Company has in place a shareholder rights agreement which will be implemented not earlier than the tenth day following the first to occur of (i) the public announcement of the acquisition by a person (other than a subsidiary of the Company) of 15% or more of the outstanding class A common shares or 15% or more of the outstanding class B common shares, and (ii) the commencement or announcement of a tender offer or exchange offer by a person for 30% or more of the outstanding class A common shares or 30% or more of the outstanding class B common shares. At that time, the rights will detach from the class A and class B common shares, and the holders of the rights will be entitled to purchase, for each right held, one one hundredth of a series A junior participating preferred share of the Company at an exercise price of \$70 (the "Purchase Price") for each one one hundredth of such junior preferred share, subject to adjustment in certain events. From and after the date on which any person acquires beneficial ownership of 15% or more of the outstanding class A common shares or 15% or more of the outstanding class B common shares, each holder of a right (other than the acquiring person) will be entitled upon exercise to receive, at the then current Purchase Price and in lieu of the junior preferred shares, that number of class A or class B common shares (depending on whether the right was previously attached to a class A or B share) having a market value of twice the Purchase Price. If the Company is acquired or 50% or more of its consolidated assets or earning power is sold, each holder of a right will be entitled to receive, upon exercise at the then current Purchase Price, that amount of common equity of the acquiring company which at the time of such transaction would have a market value of two times the Purchase Price. Also, the Company's board of directors may exchange all or some of the rights for class A and class B common shares (depending on whether the right was previously attached to a class A or B share) if any person acquires 15% beneficial ownership as described above, but less than 50% beneficial ownership. The rights will expire on June 1, 2020 but may be redeemed at a price of \$0.05 per right at any time prior to the tenth day following the date on which a person acquires beneficial ownership of 15% or more of the outstanding class A common shares or 15% or more of the outstanding class B common shares. The rights are not currently exercisable, and will not become exercisable in connection with the consummation of the transactions contemplated by the Merger Agreement or the Support Agreement. If the merger is completed, the rights will expire and cease to be exercisable as of, but conditioned on, the merger.

#### (c) Acquired shares

Included in shareholders' equity is a reduction for 18,044,478 class B common shares of the Company that a subsidiary of the Company acquired in 2002. Under applicable Bermuda law, these shares are outstanding and may be voted, although in computing earnings per share these shares are treated as a reduction to outstanding shares.

#### (d) Preferred shares

The Company has 30,000,000 authorized preferred shares, par value \$0.01 each, 500,000 of which have been reserved for issuance as series A junior participating preferred shares upon exercise of preferred share purchase rights held by class A and B common shareholders in connection with the shareholder rights agreement.

20. Share-based compensation plans

At December 31, 2018, Belmond had two share-based compensation plans, the 2004 stock option plan and the 2009 share award and incentive plan. The compensation cost that has been charged to selling, general and administrative expense for these plans was \$5,364,000 for the year ended December 31, 2018 (2017 - \$5,809,000; 2016 - \$6,272,000). Cash received from exercised options and vested awards was \$7,000 for the year ended December 31, 2018 (2017 - \$305,000; 2016 - \$17,000). The total compensation cost related to unexercised options and unvested share awards at December 31, 2018 to be recognized over the period January 1, 2018 to December 31, 2022, was \$8,798,000 and the weighted average period over which it is expected to be recognized is 31 months. Measured from the grant date, all awards of restricted shares have a maximum vesting period of four

Table of Contents

years (and those with performance criteria have a maximum vesting period of three years), and all awards of share options have a vesting period of four years with a maximum term of ten years. There were no grants under the 2004 stock option plan during the year ended December 31, 2018.

## (a) 2004 stock option plans

Under the Company's 2004 stock option plan, options to purchase up to 1,000,000 class A common shares could be awarded to employees of Belmond at fair market value at the date of grant. Options are exercisable three years after award and must be exercised ten years from the date of grant. At December 31, 2018, no class A common shares were reserved under the 2004 plan. At December 31, 2018, no shares remain available for future grants under the 2004 plan as these have been transferred to the 2009 plan described below which became effective in 2009.

Details of share option transactions under the 2004 stock option plan are as follows:

	Number of shares subject to options	Weighted average exercise price \$
Outstanding — January 1, 2017	66,350	39.63
Exercised	(3,907)	) 5.89
Forfeited, canceled or expired	(47,143)	) 47.90
Outstanding — December 31, 2017	15,300	15.99
Exercised	(5,022)	) 5.89
Forfeited, canceled or expired	(10,278)	) 31.02
Outstanding — December 31, 2018	—	—
Exercisable — December 31, 2018	—	—

The fair value of options which were exercised in the year to December 31, 2018 was \$10,000. No options vested and no options were granted under the plans during the year ended December 31, 2018.

## (b) 2009 share award and incentive plan

The Company's 2009 share award and incentive plan became effective in June 2009 and replaced the 2000 stock option plan, 2004 stock option plan and 2007 performance share plan (the "Pre-existing Plans"). A total of 1,084,500 class A common shares plus the number of class A common shares subject to outstanding awards under the Pre-existing Plans which become available after June 2009 as a result of expirations, cancellations, forfeitures or terminations, were reserved for issuance for awards under the 2009 share award and incentive plan. In 2010, the 2009 plan was amended to increase by 4,000,000 the number of class A shares authorized for issuance under the plan, and in 2012 by another 5,000,000 class A shares.

The 2009 plan permits awards of stock options, stock appreciation rights, restricted shares, deferred shares, bonus shares and awards in lieu of obligations, dividend equivalents, other share-based awards, performance-based awards, or any combination of the foregoing. Each type of award is granted and vests based on its own terms, as determined by the Compensation Committee of the Company's board of directors.



Table of Contents

During the year ended December 31, 2018, the following deferred and restricted share awards were made under the 2009 share award and incentive plan on the following dates:

2009 share award and incentive plan	Class A common shares	Date granted	Vesting date	Purchase price
Restricted shares without performance criteria	20,635	December 20, 2018	December 20, 2019	\$0.01
Restricted shares without performance criteria	20,635	December 20, 2018	December 20, 2020	\$0.01
Restricted shares without performance criteria	20,635	December 20, 2018	December 20, 2021	\$0.01
Restricted shares without performance criteria	20,635	December 20, 2018	December 20, 2022	\$0.01
Restricted shares without performance criteria	2,850	June 24, 2018	June 24, 2020	\$0.01
Restricted shares without performance criteria	2,850	June 24, 2018	June 24, 2021	\$0.01
Restricted shares without performance criteria	2,850	June 24, 2018	June 24, 2022	\$0.01
Restricted shares without performance criteria	107,982	June 24, 2018	June 24, 2019	\$0.01
Restricted shares without performance criteria	25,232	June 24, 2018	On retirement	\$0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2019	\$0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2020	\$0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2021	\$0.01
Restricted shares with performance criteria	342,300	March 24, 2018	March 24, 2021	\$0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2022	\$0.01
Restricted shares without performance criteria	7,750	January 15, 2018	January 15, 2021	\$0.01
Restricted shares without performance criteria	7,750	January 15, 2018	January 15, 2022	\$0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2019	\$0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2020	\$0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2021	\$0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2022	\$0.01

Transactions relating to share options under the 2009 plan have been as follows:

	Number of shares subject to options	Weighted average exercise price \$	Weighted average remaining contractual life in years	Aggregate intrinsic value \$'000
Outstanding — January 1, 2017	2,644,489	11.17		
Granted	581,300	12.59		
Exercised	(107,552)	) 8.76		
Forfeited, canceled or expired	(428,830)	) 11.22		
Outstanding — December 31, 2017	2,689,407	10.75		
Granted	—	—		
Exercised	(64,174)	) 10.50		
Forfeited, canceled or expired	(365,171)	) 11.72		
Outstanding — December 31, 2018	2,260,062	11.57	6.3	30,418
Exercisable — December 31, 2018	1,595,372	11.39	5.5	21,799





Table of Contents

The options outstanding under the 2009 plan at December 31, 2018 were as follows:

Exercise prices \$	Outstanding at 12/31/2018	Exercisable at 12/31/2018	Remaining contractual lives in years	Exercise prices for outstanding options \$	Exercise prices for exercisable options \$
8.91	19,800	19,800	0.9	8.91	8.91
8.37	13,600	13,600	1.4	8.37	8.37
11.44	44,650	44,650	1.9	11.44	11.44
11.69	44,600	44,600	2.4	11.69	11.69
8.06	119,250	119,250	2.9	8.06	8.06
9.95	31,700	31,700	3.2	9.95	9.95
8.42	50,600	50,600	3.4	8.42	8.42
11.32	132,050	132,050	3.9	11.32	11.32
9.95	31,700	31,700	4.1	9.95	9.95
11.74	70,800	70,800	4.4	11.74	11.74
14.51	145,850	145,850	5.0	14.51	14.51
14.08	78,000	78,000	5.5	14.08	14.08
11.57	206,033	206,033	6.0	11.57	11.57
12.50	68,100	50,575	6.5	12.50	12.50
13.75	96,165	72,124	6.7	13.75	13.75
8.98	249,452	182,785	6.9	8.98	8.98
9.64	123,000	61,500	7.5	9.64	9.64
12.75	241,475	116,675	7.9	12.75	12.75
13.45	138,600	34,650	8.5	13.45	13.45
12.25	354,637	88,430	9.0	12.25	12.25
	2,260,062	1,595,372			

The fair value of option grants made in the year to December 31, 2018 was \$Nil. The fair value of options which became exercisable in the year to December 31, 2018 was \$1,055,000. The fair value of options which were exercised in the year was \$262,000. The number of options which vested during the year was 363,740.

Transactions relating to deferred shares and restricted shares under the 2009 plan have been as follows:

	Number of shares subject to awards	Weighted average exercise price \$	Aggregate intrinsic value \$'000
Outstanding — January 1, 2017	1,193,775	0.01	
Granted	565,621	0.01	
Vested and issued	(334,958)	) 0.01	
Forfeited, canceled or expired	(152,700)	) 0.01	
Outstanding — December 31, 2017	1,271,738	0.01	
Granted	820,544	0.01	
Vested and issued	(351,077)	) 0.01	
Forfeited, canceled or expired	(182,183)	) 0.01	

Outstanding — December 31, 2018	1,559,022	0.01	39,007
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Table of Contents

At December 31, 2018, awards of deferred shares and restricted shares on 1,559,022 class A common shares were reserved under the 2009 plan. Of these awards, 849,322 deferred shares and restricted shares do not specify any performance criteria and will vest up to December 2022. The remaining awards of up to 709,700 deferred shares are subject to performance criteria.

The fair value of deferred shares and restricted shares awarded in the year to December 31, 2018 was \$9,247,000. The fair value of deferred shares vested in the year to December 31, 2018 was \$4,258,000.

There were no vested and unissued deferred share or restricted shares awards as of December 31, 2018.

Estimates of the fair value of the share options on the grant date using the Black-Scholes options pricing model were based on the following assumptions:

Year ended December 31,	2018	2017	2016
Expected share price volatility	—%	27% - 34%	29% - 40%
Risk-free interest rate	—%	1.50% - 2.14%	0.76% - 1.84%
Expected annual dividends per share	\$—	\$—	\$—
Expected life of share options	- years	2.5 - 5.5 years	2.5 - 5.5 years

## 21. Commitments and contingencies

### Belmond Copacabana Palace

As previously reported, in February 2013, the State of Rio de Janeiro Court of Justice affirmed a 2011 decision of a Rio state trial court against Sea Containers Ltd (“SCL”) in lawsuits brought against SCL by minority shareholders in Companhia Hoteis Palace (“CHP”), the company that owns the Copacabana Palace, relating to the recapitalization of CHP in 1995, but reduced the total award against SCL to approximately \$27,000,000. SCL further appealed the judgments during the second quarter of 2013 to the Superior Court of Justice in Brasilia. SCL sold its shares in CHP to the Company in 2000. Years later, in 2006, SCL entered insolvency proceedings in the U.S. and Bermuda that are continuing in Bermuda. Possible claims could be asserted against the Company or CHP in connection with this Brazilian litigation, although no claims have been asserted to date.

As a precautionary measure to defend the hotel, CHP commenced a declaratory lawsuit in the Rio state court in December 2013 seeking judicial declarations that no fraud was committed against the SCL plaintiffs when the shares in CHP were sold to the Company in 2000 and that the sale of the shares did not render SCL insolvent. Pending rulings on those declarations, the court granted CHP an injunction preventing the SCL plaintiffs from provisionally enforcing their 2011 judgments against CHP, which judgment was subsequently reversed on appeal in May 2014. In September 2014, CHP sought reconsideration from the appellate court of this decision, but the court dismissed its request, resulting in the return of the declaratory lawsuit proceedings to the Rio State Court.

Management cannot estimate the range of possible loss if the SCL plaintiffs assert claims against the Company or CHP, and Belmond has made no reserves in respect of this matter. If any such claims were brought, Belmond would continue to defend its interests vigorously.

### Ubud Hanging Gardens

In November 2013, the third-party owner of Ubud Hanging Gardens in Bali, Indonesia dispossessed Belmond from the hotel under long-term lease without prior notice. As a result, Belmond was unable to continue operating the hotel and, accordingly, to prevent any confusion to its guests, Belmond ceased referring to the property in its sales and

marketing materials, including all electronic marketing.

Belmond believed that the owner's actions were unlawful and in breach of the lease arrangement and constituted a wrongful dispossession. Belmond pursued its legal remedies through arbitration proceedings required under the lease. In June 2015, a Singapore arbitration panel issued its final award in favor of Belmond, holding that the owner had breached Indonesian law and the lease, and granting monetary damages and costs to the Company in an amount equal to approximately \$8,500,000. Since its receipt of the arbitral award, Belmond has been engaged in the process of enforcing this arbitral award in the Indonesian courts. Starting in April 2014, the Indonesian trial courts have dismissed eight separate actions filed by the owner for lack of jurisdiction due to the arbitration clause in the parties' lease. The owner has appealed five of these decisions, all of which plead variations on

## Table of Contents

the same facts, of which four have been affirmed by the Appellate Court with two of those affirmed by the Indonesian Supreme Court and the other two await a decision by the Indonesian Supreme Court. The fifth case was reversed in favor of the owner on appeal in October 2014 and affirmed by the Indonesian Supreme Court in December 2016. Belmond has sought review for reconsideration by the Supreme Court. In the meantime, Belmond filed with the Central Jakarta District Court in October 2017, as further support for the enforcement of Belmond's arbitral claim, the decisions of four Indonesian trial courts enforcing the arbitration provision under the lease and ruling that the Indonesian courts had no jurisdiction over the parties' 2013 dispute, along with four affirming decisions from the appellate courts and the two from the Indonesian Supreme Court.

Belmond does not believe there is any merit in the owner's outstanding Indonesian actions and is vigorously defending its rights while it seeks to enforce the Singapore arbitral award. While the Company can give no assurances, it believes that it should ultimately be able to enforce its arbitral award. Given the uncertainty involved in this litigation, Belmond recorded in the year ended December 31, 2013, a non-cash impairment charge in the amount of \$7,031,000 relating to long-lived assets and goodwill of Ubud Hanging Gardens and has not booked a receivable in respect of the award.

As supplemental proceedings to its arbitration claim, Belmond commenced contempt proceedings in the High Court in London, England, where the owner resided, for pursuing the Indonesian proceedings contrary to an earlier High Court injunction, and obtained against the owner in July 2014 a contempt order, which subsequently resulted in the court issuing a committal order of imprisonment for 120 days. The owner left England before the court order was issued and has not yet served the sentence. See Note 6.

### Belmond Hotel das Cataratas

In September 2014, the Brazilian Ministry of Planning, Budget and Management notified the Company that it was denying the Company's application to extend the term or reduce the rent under the lease for Belmond Hotel das Cataratas, which was entered into in 2007. Belmond had applied for the amendment in 2009 based on its claim that it suffered additional unanticipated and/or unforeseeable costs in performing the refurbishment of the hotel as required by the lease and related tender documentation in order to raise the standard of the property to a five star luxury standard.

Prior to August 2014, with the agreement of the Ministry, the Company had been paying the base annual rent without an annual adjustment for inflation as provided for in the lease, pending resolution of Belmond's application. Throughout this period, the Company had expensed the full rental amount and has fully accrued the difference between the rental charge and the amount actually paid. Based on the Ministry's decision denying any relief, the Ministry directed the Company that it would henceforth assess rent at the contractual rate, which has been included in the table of future rental payments as at December 31, 2018, and that it was required to pay the difference between the contractual rent and the rent that had been actually paid. On March 20, 2015, the Ministry provided notice to the hotel that an aggregate amount of approximately R\$17,000,000 (\$4,387,000) was due on March 31, 2015 as a result of its rejection of any relief sought by Belmond.

The Company appealed to the Ministry to reconsider its decision on both procedural and substantive grounds. Pending this requested reconsideration and exhaustion of administrative remedies, the Company did not pay to the Ministry the amount claimed. The Company filed a lawsuit in the Federal Court in Paraná State in August 2016 against the Government of Brazil regarding the Ministry's failure to properly consider and modify the lease concession for Belmond Hotel das Cataratas. The Federal Court granted the Company's request for an injunction against the Government enforcing its claim and granted the Company's request for a 25% preliminary reduction in rent, pending a decision on the merits, which the Superior Court upheld on appeal in a decision rendered in September 2016. The Government appealed to a three-judge panel of the Superior Court, which upheld the decision of the Federal Court in

favor of the Company in a judgment rendered in January 2017.

In October 2017, the Federal Court issued a decision on the merits denying in part the Company's claim for modification of the lease concession. The Court ruled although the lease is an administration agreement rather than a simple commercial lease, the Company had not overcome its burden of proof to show that a modification was justified. The Court further ordered that the Company must pay the stated rent in the lease rather than the reduced rent set by the Federal Court in September 2016. The Court also revoked the injunction issued in September 2016 that had been subsequently affirmed on appeal prohibiting the Federal Government from pursuing a claim against the Company to recover the difference between the stated lease rent and the amounts the Company actually paid during the period from 2009 to 2014. The Company appealed this decision and requested injunctive relief enjoining the Government from enforcing the decision of the Federal Court pending a hearing on the appeal. In December 2017, the Federal Superior Court denied the Company's request for an injunction and affirmed the lower court's partial decision on the merits.

On April 25, 2018, a Federal Superior Court panel of three judges reversed the prior Superior Court's decision in Belmond's favor on all counts, so that the injunction against the Federal Government remains in place and the rent reduction was reinstated on a

## Table of Contents

prospective basis. As a result, the Federal Government cannot seek to enforce its claim for the allegedly unpaid lease obligations. Nonetheless, the Company has reserved against this claim, and this accrual as at December 31, 2018 totaled R\$29,272,000 (\$7,554,000). The Company intends to continue to vigorously contest this litigation, which has been remanded to the first instance court for a trial on the merits.

### Belmond Miraflores Park

The Company is contesting a claim against Belmond Miraflores Park Hotel ("BMP") by the municipality of Miraflores in Lima, Peru, where BMP is located. The municipality alleges that BMP has generated noise and vibrations in violation of municipal nuisance ordinances resulting in the disturbance of certain apartment owners in an adjoining residential building. The local administrative court ruled in favor of the municipality, and levied a nominal fine and issued an order for injunctive relief that included the potential closure of BMP pending the elimination of the noise and vibrations. In March 2016, after the administrative court's ruling was affirmed at the trial court and subsequently, the appellate court level, BMP appealed to the Supreme Court of Peru. Enforcement of the ruling of the appellate court has been stayed pending the Supreme Court appeal. In June 2017, the Supreme Court issued a decision accepting BMP's appeal rather than, as BMP had expected, summarily affirming the appellate court decision. On November 14, 2018, the Supreme Court decided the appeal in BMP's favor on the basis that municipal ordinances may be impermissibly vague and remanded the case to the administrative court. Management believes that the administrative court is likely to find that BMP could not properly be found in violation of the ordinances and dismiss the case; however, even if the administrative court reiterates its prior ruling that BMP has violated the ordinances, the Company believes that the risk of closure of BMP is remote because BMP will have completed its planned remediation by the time of any such ruling and expects to be in compliance with municipal nuisance ordinances to the extent that they are applicable at that time. BMP has other alternatives that it could pursue to resolve this matter if BMP is not compliant by the time of the Supreme Court decision. Accordingly, management does not believe that a material loss is probable and no accrual has been made in respect of this matter.

### "Cipriani" Trademark

In May 2010, after prevailing in litigation at the trial and appellate court levels, Belmond settled litigation in the United Kingdom for infringement of its U.K. and Community (European wide) registrations for the "Cipriani" trademark. Defendants paid the amount of \$3,947,000 to Belmond in March 2010 with the balance of \$9,833,000 being payable in installments over five years with interest. Belmond received the final payment in the amount of \$1,178,000 in June 2015.

Subsequent to Belmond's success before the U.K. courts, there have arisen a number of European trademark opposition and infringement cases relating to Belmond "Cipriani" and "Hotel Cipriani" Community trademarks. These include an ongoing invalidity action filed by Arrigo Cipriani and related family companies (the "Family Parties") in the European Trade Mark Office against Belmond's "Cipriani" Community trademark. To date, Belmond has successfully rebutted this challenge at every level of administrative appeal, including before the EU General Court in Luxembourg which issued a decision in June 2017 dismissing the Family Parties' appeal and ordering that appellant pay the costs of the court and the Company, and most recently in a decision on March 1, 2018, the EU General Court denied the Family Parties' right to register a "Cipriani" Community trademark in the trademark class for drinks and beverages due to its likelihood to lead to confusion with Belmond's registered "Cipriani" Community trademarks in the trademark class for hotels and restaurants. Belmond has also recently been successful in securing the cancellation in Portugal of a trademark application filed by a Family Party for "Cipriani". In addition, Belmond has been successful in obtaining cancellations of "Cipriani" trademark applications made by a Family Party in Russia, although the Family Party has recently commenced another action opposing Belmond's "Cipriani" trademarks in Russia, which the Company intends to vigorously defend.



In addition, there are a number of ongoing trademark disputes with the Family Parties in Italy: in January 2015, the Cipriani family and affiliated entities commenced proceedings against Belmond in the Court of Venice, asserting that a 1967 agreement pursuant to which the family sold their interest in the Hotel Cipriani constituted a coexistence agreement allowing both the Company to use “Hotel Cipriani”, and the Cipriani family to use “Cipriani”. In November 2017, the Court rejected the family's complaint and awarded costs to the Company. This decision was not subsequently appealed. In August 2015, pursuant to a separate claim filed by the Cipriani family, the Court of Venice ruled in favor of the Cipriani family, determining that its use of the full name (rather than just an initial with the family's surname), would not constitute infringement of the Company's registered trademark. This ruling was overturned on appeal in favor of the Company in November 2017. The Cipriani family appealed this decision before the Italian Supreme Court, and in a separate filing to the appellate court requested the reconsideration of that court's decision. At the same time, the Company requested reconsideration of the dismissal by the appellate court of the Company's request that Italian trademarks relating to restaurant services filed by the Cipriani family be revoked for non-use. On November 13, 2018, the appellate court denied the Company's request and on January 5, 2019, it denied the Cipriani family's appeal. While Belmond intends to appeal the decision before the Supreme Court and believes it has a meritorious case, Belmond cannot estimate the range of possible additional loss if it should not prevail in this matter and has made no accruals in respect of the matter. Separate proceedings brought

## Table of Contents

by Belmond in Spain to defend Belmond's marks against a use by the Cipriani family and its affiliated entities of "Cipriani" to promote a restaurant have been stayed pending the outcome of the Venice appeal.

### Belmond Sanctuary Lodge

On November 28, 2017, Peru Belmond Hotels S.A., the Peruvian hotel joint venture in which the Company holds a 50% interest ("PBH"), received notification of a complaint filed with the Court of Cusco by the Regional Government of Cusco seeking the annulment of the ten-year extension of the Belmond Sanctuary Lodge concession that commenced in May 2015. The Regional Government alleges that the President of the Region at the time of the execution of the extension did not have the sole authority to bind the Regional Government. This lawsuit is substantially similar to a complaint filed by the Regional Government against PBH in January 2015 that was dismissed by the Court of Cusco and, upon appeal by the Regional Government, was affirmed by the Superior Court of Cusco in favor of PBH in June 2016. The Company does not believe that there is any merit to the Regional Government's complaint.

### Other

The Company and certain of its subsidiaries are parties to various legal proceedings arising in the normal course of business. These proceedings generally include matters relating to labor disputes, tax claims, personal injury cases, lease negotiations and ownership disputes. The outcome of each of these matters cannot be determined with certainty, and the liability that the relevant parties may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued for with respect to these matters. Where a reasonable estimate can be made, the additional losses or range of loss that may be incurred in excess of the amount recognized from the various legal proceedings arising in the normal course of business are disclosed separately for each claim, including a reference to where it is disclosed. However, for certain of the legal proceedings, management is unable to estimate the loss or range of loss that may result from these claims due to the highly complex nature or early stage of the legal proceedings.

Belmond had granted to James Sherwood, the founder, Chairman Emeritus and a former director of the Company, pursuant to a certain Amended and Restated Rights Agreement Regarding Hotel Cipriani Interests dated February 8, 2005, a right of first refusal to purchase the Belmond Hotel Cipriani in Venice, Italy in the event Belmond proposed to sell it. The purchase price would be the offered sale price in the case of a cash sale or the fair market value of the hotel, as determined by an independent valuer, in the case of a non-cash sale. Mr. Sherwood had also been granted an option to purchase the hotel, pursuant to an Amended and Restated Right of First Refusal and Option Agreement Regarding Indirectly Held Hotel Cipriani Interests dated February 8, 2005, at fair market value if a change in control of the Company occurred. Mr. Sherwood could have elected to pay 80% of the purchase price if he exercised his right of first refusal, or 100% of the purchase price if he exercised his purchase option, by a non-recourse promissory note secured by the hotel payable in ten equal annual installments with interest at LIBOR. This right of first refusal and purchase option were not assignable and were to expire one year after Mr. Sherwood's death.

On July 6, 2018, the Company entered into an agreement with Mr. Sherwood that terminated the right of first refusal and purchase option. In exchange, Mr. Sherwood will receive an aggregate amount of \$3,000,000, payable over a period of two years in three installments. Moreover, in the event of a sale of the hotel or a change in control of the Company within a ten year period following execution of the agreement, the Company would pay to Mr. Sherwood \$10,000,000 if such an event happens within a year of the agreement, stepping down by \$1,000,000 a year to zero after ten years. Mr. Sherwood would also receive a payment of \$25,000,000, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a

public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the hotel within one year after the execution of the agreement. See Note 23.

As described in Note 1, on December 14, 2018, the Company announced that it had entered into the Merger Agreement with LVMH, Holding, and Merger Sub, pursuant to which LVMH will acquire the Company. During the year ended December 31, 2018, expenses and fees for professional services related to the board's review of strategic alternatives of \$8,455,000 were recognized within selling, general and administrative expenses in the statements of consolidated operations. If the Merger is consummated, the Company expects to incur additional costs related to the board's review of strategic alternatives which may be material. If the Merger Agreement is terminated under certain specified circumstances, Belmond may be required to pay to LVMH a termination fee equal to \$92,261,000 under the terms of the Merger Agreement.

In January 2018, the Company, having concluded that without a material change in the cost structure at Belmond La Samanna, it could not justify reinvesting the insurance proceeds recovered following Hurricanes Irma and Jose alongside additional capital to restore and improve the asset, entered into a formal administrative process with the workforce at the property and the St. Martin

Table of Contents

labor authorities. During the year ended December 31, 2018, a restructuring plan was agreed with the Works Council at the property and approved by the labor authorities.

## Capital commitments

Outstanding contracts to purchase property, plant and equipment were approximately \$21,197,000 at December 31, 2018 (December 31, 2017 - \$19,464,000). In addition, as discussed immediately above, the Company has agreed to pay Mr. Sherwood an aggregate amount of \$3,000,000 in cash, payable over a period of two years in three installments. See Note 23.

## Other commitments

Since a restructuring plan was agreed with the Works Council at Belmond La Samanna and approved by the labor authorities in St Martin, the Company met the criteria to recognize a liability for restructuring costs.

During the year ended December 31, 2018, restructuring costs at Belmond La Samanna of \$14,917,000 were recognized within costs of services and selling, general and administrative expenses in the statements of consolidated operations. Restructuring costs represent charges for employee termination costs and other associated costs. The costs are included in the results of the operation of Belmond La Samanna, which are included in Owned hotels in the Company's North America segment.

The following table presents the Company's restructuring reserve activity in respect of Belmond La Samanna during the year ended December 31, 2018.

	Liability for restructuring costs \$'000
Balance at December 31, 2017	—
Charges	14,917
Cash payments	(11,884 )
Adjustments <sup>(1)</sup>	(964 )
Balance at December 31, 2018 classified in "Accrued Liabilities"	2,069

(1) Adjustments primarily reflect the reversal of charges for certain employees who accepted other positions at the Company, a renegotiation of terms with some employees, and the impact of foreign exchange.

The expected completion date for the workforce restructuring is August 2019.

## Future rental payments and rental expense under operating leases

Future rental payments under operating leases in respect of equipment rentals and leased premises are payable as follows:

Year ended December 31, \$'000

2019	10,996
2020	11,043
2021	11,461
2022	9,373

2023	9,429
2024 and thereafter	129,620
	181,922

Rental expense under operating leases for the year ended December 31, 2018 amounted to \$13,318,000 (2017 - \$14,805,000; 2016 - \$13,037,000).

Table of Contents

## 22. Fair value measurements

## (a) Financial instruments recorded at fair value

The following tables summarize the valuation of Belmond's assets and liabilities by the fair value hierarchy at December 31, 2018 and 2017:

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
December 31, 2018				
Assets at fair value:				
Derivative financial instruments	—	3,253	—	3,253
Total assets	—	3,253	—	3,253
Liabilities at fair value:				
Derivative financial instruments	—	(1,498)	(13,000)	(14,498)
Total net liabilities	—	1,755	(13,000)	(11,245)
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
December 31, 2017				
Assets at fair value:				
Derivative financial instruments	—	1,348	—	1,348
Total assets	—	1,348	—	1,348
Liabilities at fair value:				
Derivative financial instruments	—	(430 )	—	(430 )
Total net assets	—	918	—	918

During the years ended December 31, 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

Level 3 amounts relate to the estimated costs to terminate the right of first refusal and purchase option as described in Note 23. An assessment of the fair value of any potential payment due on a change of control of the Company has been made based on the relative probabilities of a change of control and of the various possible outcomes.

Unobservable inputs used in the fair value measurement for which there is no market information available include potential future payments based on the likelihood of a change of control within each of the 10 years covered by the agreement and management assumptions behind the relative probabilities of a change of control and of the various possible outcomes. Any change in likelihood of the change in control could result in a higher/(lower) fair value measurement.



Table of Contents

Changes in Level 3 liabilities measured at fair value on a recurring basis for the year ended December 31, 2018

	January 1, 2018	Fair Value as at July 6, 2018	Realized and Unrealized Gains/(Losses) in Earnings (1)	December 31, 2018
Liabilities	\$'000	\$'000	\$'000	\$'000
Contractual liabilities	—	(10,117	) (2,883	) (13,000

(1) Movement in the period is due to the Company entering into the Merger Agreement dated December 13, 2018 with LVMH, Holding, and Merger Sub, pursuant to which LVMH will acquire the Company. See Note 1.

## (b) Other financial instruments

Certain methods and assumptions are used to estimate the fair value of each class of financial instruments. The carrying amount of current assets and current liabilities as disclosed on the consolidated balance sheets approximate their fair value due to the short-term nature of those instruments.

The fair value of Belmond's long-term debt, excluding interest rate swaps and caps, is determined using the contractual cash flows and credit-adjusted discount curves. The fair value of the debt is the present value of those contractual cash flows which are discounted at the current market cost of debt and adjusted for the credit spreads. Credit spreads take into consideration general market conditions, maturity and collateral.

The estimated carrying values, fair values, and levels of the fair value hierarchy of Belmond's long-term debt as of December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
	Carrying amounts \$'000	Fair value \$'000	Carrying amounts \$'000	Fair value \$'000
Total long-term debt, before deduction of discount on secured term loan and debt issuance costs, excluding obligations under capital leases	773,548	768,850	724,208	728,994

See Note 12.



Table of Contents

## (c) Non-financial assets measured at fair value on a non-recurring basis

The estimated fair values of Belmond's non-financial assets measured on a non-recurring basis for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Fair value measurement inputs				Total losses in year ended December 31, 2018
	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Property, plant and equipment	—	—	—	—	(4,775 )
Goodwill	—	—	—	—	(4,719 )
Other intangible assets	—	—	—	—	(156 )

	Fair value measurement inputs				Total losses in year ended December 31, 2017
	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Property, plant and equipment	5,955	—	—	5,955	(8,216 )
Goodwill	—	—	—	—	(5,500 )

	Fair value measurement inputs				Total losses in year ended December 31, 2016
	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Property, plant and equipment	—	—	—	—	(1,007 )

## Property, plant and equipment

In the year ended December 31, 2018, property, plant and equipment at Belmond Governor's Residence and Belmond Road to Mandalay with a combined carrying value of \$4,775,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$4,775,000.

In the year ended December 31, 2017, property, plant and equipment at Belmond Road to Mandalay and Belmond Northern Belle with a combined carrying value of \$14,171,000 was written down to fair value of \$5,955,000, resulting in a non-cash impairment charge of \$8,216,000.

In the year ended December 31, 2016, property, plant and equipment at Belmond Orcaella with a carrying amount of \$1,007,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$1,007,000.

These impairments are included in earnings from continuing operations in the period incurred. See Note 9.



## Table of Contents

### Goodwill

In the year ended December 31, 2018, goodwill at Belmond Governor's Residence with a carrying value of \$2,195,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$2,195,000.

In the year ended December 31, 2018, goodwill at Belmond La Résidence d'Angkor with a carrying value of \$1,548,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$1,548,000.

In the year ended December 31, 2018, goodwill at Belmond Villa San Michele with a carrying value of \$819,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$819,000.

In the year ended December 31, 2018, goodwill at Belmond Castello di Casole with a carrying value of \$157,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$157,000.

In the year ended December 31, 2017, goodwill of Belmond Cap Juluca with a carrying value of \$5,500,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$5,500,000.

These impairments are included in earnings from continuing operations in the period incurred. See Note 10.

### Other intangible assets

In the year ended December 31, 2018, the favorable lease asset at Belmond Governor's Residence with a carrying value of \$156,000 was written down to fair value of \$Nil, resulting in a non-cash impairment charge of \$156,000.

These impairments are included in earnings from continuing operations in the period incurred. See Note 11.

## 23. Derivatives and hedging activities

Belmond hedges its interest rate risk, ensuring that an element of its floating rate interest is fixed by using interest rate derivatives. Belmond designates these derivatives as cashflow hedges. Additionally, Belmond designates its foreign currency borrowings and currency derivatives as net investment hedges of overseas operations.

In connection with the July 2017 Amended and Restated Credit Agreement and the June 2018 refinancing of the Charleston Center LLC debt, the interest rate derivatives associated with the previous term loan facility and the previous Charleston Center LLC secured loan were terminated. See Note 12. All amounts in other comprehensive income/(loss) relating to these derivatives will be amortized to interest expense over the remaining original life of the interest rate derivative under ASC 815 Derivatives and Hedging. New interest rate derivatives were entered into to fix an element of the floating interest rate on the Amended and Restated Credit Agreement and the Charleston Center LLC debt.

In connection with the Charleston Center LLC debt, the interest rate derivatives termination resulted in an inflow of \$359,000 during the year ended December 31, 2018.

### Cash flow hedges of interest rate risk

As of December 31, 2018 and 2017, Belmond had the following outstanding interest rate derivatives stated at their notional amounts in local currency that were designated as cash flow hedges of interest rate risk:

2018	2017
------	------

December 31,	\$'000	\$'000
Interest rate swaps	€89,500	€89,500
Interest rate swaps	\$280,000	\$243,000
Interest rate caps	\$48,000	\$17,200

126

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Table of Contents

## Fair value

The table below presents the fair value of Belmond's derivative financial instruments and their classification as of December 31, 2018 and 2017:

	Balance sheet location	Fair value as of December 31, 2018 \$'000	Fair value as of December 31, 2017 \$'000
Derivatives designated in a cash flow hedging relationship:			
Interest rate derivatives	Other assets	2,112	1,776
Interest rate derivatives	Other receivables	1,340	—
Interest rate derivatives	Accrued liabilities	(439 )	(858 )
Interest rate derivatives	Other liabilities	(1,258 )	—
Other derivative instruments			
Contractual liabilities	Accrued liabilities	(12,200 )	—
Contractual liabilities	Other liabilities	(800 )	—
Total		(11,245 )	918

## Offsetting

There was no offsetting within derivative assets or derivative liabilities at December 31, 2018 and 2017. However, derivatives are subject to master netting arrangements.

The Company's derivative contracts are subject to a master netting arrangement with the respective counterparties that provide for the net settlement of all derivative contracts in the event of default or upon the occurrence of certain termination events. Upon exercise of termination rights by the non-defaulting party (i) all transactions are terminated, (ii) all transactions are valued and the positive value transactions are netted against the negative value transaction, and (iii) the only remaining payment obligation is of one of the parties to pay the netted termination amount.

The Company has elected to present the derivative assets and derivative liabilities on the balance sheet on a gross basis for periods ended December 31, 2018 and December 31, 2017. The tables below present the derivative assets and liability balance, before and after the effects of offsetting, as of December 31, 2018 and December 31, 2017.

	December 31, 2018		
	Gross amounts presented in the consolidated balance sheet \$'000	Gross amounts not offset in the consolidated balance sheet subject to netting agreements \$'000	Net amounts \$'000
Total asset derivatives	3,258	(618 )	2,640
Total liability derivatives	(1,514)	618	(896 )

December 31, 2017

Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet subject to netting agreements	Net amounts
\$'000	\$'000	\$'000

Total asset derivatives	1,365	(232	)	1,133
Total liability derivatives	(423	)	232	(191 )

127

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## Table of Contents

### Other comprehensive income/(loss)

Information concerning the movements in other comprehensive income/(loss) for cash flow hedges of interest rate risk is shown in Note 24. At December 31, 2018, the amount accounted for in other comprehensive income/(loss) which is expected to be reclassified to interest income in the next 12 months is \$51,000. Movement in other comprehensive income/(loss) for net investment hedges recorded through foreign currency translation adjustments for the year ended December 31, 2018 was a \$9,819,000 gain (2017 - \$22,612,000 loss; 2016 - \$4,975,000 gain).

### Credit-risk-related contingent features

Belmond has agreements with some of its derivative counterparties that contain provisions under which, if Belmond defaults on the debt associated with the hedging instrument, Belmond could also be declared in default in respect of its derivative obligations.

As of December 31, 2018, the fair value of derivatives, which includes accrued interest and an adjustment for non-performance risk, related to these agreements was \$1,752,000 (2017 - \$918,000 net asset). If Belmond breached any of the provisions, the obligations under the agreements would be settled at termination value of \$1,742,000 inflow (2017 - \$942,000 inflow).

### Non-derivative financial instruments — net investment hedges

Belmond uses certain of its debt denominated in foreign currency to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Belmond's designates its euro-denominated indebtedness as a net investment hedge of long-term investments in its euro-functional subsidiaries. These contracts are included in non-derivative hedging instruments. The notional value of non-derivative hedging instruments was \$201,780,000 at December 31, 2018 (2017 - \$213,350,000), being a liability of Belmond.

### Other derivative instrument - termination of the right of first refusal and purchase option

On July 6, 2018, the Company entered into an agreement with Mr. Sherwood that terminated a right of first refusal and purchase option. See Note 21. In exchange, Mr. Sherwood is entitled to an aggregate amount of \$3,000,000, payable over a period of two years in three installments. Moreover, in the event of a sale of the Belmond Hotel Cipriani or a change in control of the Company within a ten year period following execution of the agreement, the Company would pay to Mr. Sherwood \$10,000,000 if such an event happens within a year of the agreement, stepping down by \$1,000,000 a year to zero after ten years. Mr. Sherwood would also receive a payment of \$25,000,000, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the Belmond Hotel Cipriani within one year after the execution of the agreement.

The estimated costs to terminate the right of first refusal and purchase option have been accounted for in accordance with ASC 815, Derivatives and Hedging as the recognition criteria for a derivative have been met, specifically that the agreement provides for a payment linked to an underlying variable as set forth in ASC 815. During the year ended December 31, 2018, the Company has recognized a cost of \$13,000,000 following an assessment of the fair value of any potential payment due on a change of control of the Company which is based on the relative probabilities of a change of control and of the various possible outcomes. This cost is included within selling, general and administrative expenses in statements of consolidated operations. See Note 22.





Table of Contents

## 24. Accumulated other comprehensive loss

Changes in accumulated other comprehensive income/(loss) ("AOCI") by component (net of tax) for the years ended December 31, 2018 and 2017 were as follows:

	Foreign currency translation adjustments \$'000	Derivative financial instruments \$'000	Pension liability \$'000	Total \$'000
Balance at January 1, 2017	(337,053 )	(3,224 )	(12,062 )	(352,339)
Other comprehensive income/(loss) before reclassifications, net of tax provision/(benefit) of \$Nil, \$(50) and \$73	48,095	(121 )	310	48,284
Amounts reclassified from AOCI, net of tax provision of \$Nil, \$860 and \$Nil	692	2,041	—	2,733
Net current period other comprehensive income	48,787	1,920	310	51,017
Balance at December 31, 2017	(288,266 )	(1,304 )	(11,752 )	(301,322)
Other comprehensive (loss)/income before reclassifications, net of tax provision of \$Nil, \$Nil and \$Nil	(39,875 )	530	689	(38,656 )
Amounts reclassified from AOCI, net of tax provision of \$Nil, \$Nil and \$Nil	—	1,759	—	1,759
Net current period other comprehensive (loss)/income	(39,875 )	2,289	689	(36,897 )
Balance at December 31, 2018	(328,141 )	985	(11,063 )	(338,219)

Reclassifications out of AOCI (net of tax) were as follows:

	Amount reclassified from AOCI December 31, 2018	December 31, 2017	Affected line item in the statement of operations
Details about AOCI components	\$'000	\$'000	
Foreign currency translation adjustments:			
Reclassification upon sale of operating unit	—	692	Gain on disposal of property, plant and equipment and equity method investments
Derivative financial instruments:			
	1,759	2,041	Interest expense

Cash flows from derivative financial instruments related  
to interest payments made for the hedged debt instrument

Total reclassifications for the period	1,759 2,733
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129

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Table of Contents

## 25. Segment information

Segment performance is evaluated by the chief operating decision maker based upon adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA").

For reporting periods prior to the quarter ended March 31, 2017, the Company disclosed certain disaggregated segment profitability information in its periodic reports in accordance with applicable U.S. GAAP accounting principles, ASC 280 Segment Reporting, in the form of earnings before gains/(losses) on disposal, impairments, central costs, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization, share-based compensation and gains/(losses) on extinguishment of debt ("segment profit/(loss)"). This is a measure of unadjusted EBITDA and, consistent with ASC 280, has represented the way management traditionally have evaluated the operating performance of each of the Company's reportable segments. The format of the segment performance information provided to the chief operating decision maker for these purposes has evolved over time to focus primarily on adjusted EBITDA as the key measure of segment profitability. Adjusted EBITDA excludes gains/(losses) on disposal, impairments, restructuring and other special items, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization and gains/(losses) on extinguishment of debt. In order to better reflect management's internal evaluation of segment performance under ASC 280, as of the quarterly reporting period ended March 31, 2017, Belmond has disclosed adjusted EBITDA in place of segment profit/(loss) as the primary metric used by the chief operating decision maker to evaluate segment performance. In management's view, adjusted EBITDA allows the Company's segment performance to be evaluated more effectively and on a consistent basis by removing the impact of certain items that management believes do not reflect the underlying operations. Belmond notes that adjusted EBITDA is not a term defined under GAAP. As a result, Belmond provides reconciliations to the GAAP number immediately following tables using this non-GAAP term.

Belmond's operating segments are aggregated into six reportable segments primarily around the type of service being provided—hotels, trains and cruises, and management business/part ownership interests—and are secondarily organized by geography for the hotels, as follows:

- Owned hotels in each of Europe, North America and Rest of world which derive earnings from the hotels that Belmond owns including its one stand-alone restaurant;
- Owned trains and cruises which derive earnings from the train and cruise businesses that Belmond owns;
- Part-owned/managed hotels which derive earnings from hotels that Belmond jointly owns or manages; and
- Part-owned/managed trains which derive earnings from the train businesses that Belmond jointly owns or manages.

The following tables present information regarding these reportable segments.

## Revenue from external customers by segment:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Owned hotels:			
Europe	238,440	212,379	199,251
North America	132,326	149,284	145,868
Rest of world	122,163	124,219	130,255
Total owned hotels	492,929	485,882	475,374
Owned trains & cruises	70,767	63,193	59,287

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Part-owned/managed hotels	2,363	1,036	4,400
Part-owned/managed trains	10,777	10,888	10,763
Total management fees	13,140	11,924	15,163
Revenue	576,836	560,999	549,824

130

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Table of Contents

Adjusted EBITDA from external customers by segment:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Adjusted EBITDA			
Owned hotels:			
Europe	79,038	73,687	67,590
North America	38,054	29,814	29,334
Rest of world	24,626	24,474	33,115
Total owned hotels	141,718	127,975	130,039
Owned trains and cruises	13,462	4,420	4,318
Part-owned/managed hotels	7,629	6,782	6,299
Part-owned/managed trains	26,640	23,988	25,907
Total adjusted share of earnings from unconsolidated companies and management fees	34,269	30,770	32,206
Unallocated corporate:			
Central costs	(36,463 )	(33,324 )	(30,763 )
Share-based compensation	(6,045 )	(5,809 )	(7,637 )
Adjusted EBITDA	146,941	124,032	128,163

Table of Contents

## Reconciliation of consolidated (losses)/earnings from continuing operations to adjusted EBITDA:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
(Losses)/earnings from continuing operations	(28,242 )	(45,070 )	35,401
Depreciation and amortization	61,278	62,852	52,396
Gain on extinguishment of debt	—	—	(1,200 )
Interest income	(1,270 )	(1,058 )	(853 )
Interest expense	33,042	32,455	29,155
Foreign currency, net	3,752	3,034	(9,186 )
Provision for income taxes	13,983	6,554	16,368
Share of provision for/(benefit from) income taxes of unconsolidated companies	7,132	(4,451 )	5,650
	89,675	54,316	127,731
Insurance gains and deductibles	(11,619 )	1,548	—
Labor restructuring cost <sup>(1)</sup>	13,932	—	—
Net operating losses at two Caribbean properties while closed	14,974	3,783	—
Cost to terminate right of first refusal and purchase option <sup>(2)</sup>	13,000	—	—
Strategic review costs <sup>(3)</sup>	8,455	—	—
Other restructuring and special items <sup>(4)</sup>	6,468	6,384	363
Acquisition-related costs <sup>(5)</sup>	856	14,032	—
(Gain)/loss on disposal of property, plant and equipment	(750 )	153	(938 )
Loss on disposal of property, plant and equipment in unconsolidated companies	226	—	—
Impairment of goodwill, property, plant and equipment and other assets <sup>(6)</sup>	9,650	13,716	1,007
Impairment of assets in unconsolidated companies <sup>(7)</sup>	2,074	30,100	—
Adjusted EBITDA	146,941	124,032	128,163

(1) Represents charges for employee termination costs and other associated costs to restructure the Company's labor force at Belmond La Samanna.

(2) Represents estimated costs to terminate purchase rights previously held by Mr. James Sherwood, a former director of the Company, in respect of the Belmond Hotel Cipriani. See Note 23 to the Financial Statements.

(3) Represents legal, professional and other internal costs in relation to the Company's strategic review.

(4) Represents costs in relation to restructuring, severance and redundancy costs, pre-opening costs, and other items, net.

(5) Represents acquisition fees in relation to the purchase of Castello di Casole in February 2018 and Cap Juluca in May 2017.

(6) Represents an impairment charge at five, three and one owned properties in the years ended 31 December 2018, 2017 and 2016, respectively.

(7) Represents an impairment charge at one of the Company's Peru unconsolidated hotels and PeruRail unconsolidated company in the years ended December 2018 and 2017, respectively.

Table of Contents

## Reconciliation of assets by segment to total assets:

	2018	2017
December 31,	\$'000	\$'000
Owned hotels:		
Europe	575,432	575,584
North America	619,747	518,493
Rest of world	231,129	252,861
Total owned hotels	1,426,308	1,346,938
Owned trains & cruises	82,277	87,139
Part-owned/ managed hotels	21,479	21,894
Part-owned/ managed trains	55,465	52,517
Total part/owned managed	76,944	74,411
Unallocated corporate	90,279	145,149
Total assets	1,675,808	1,653,637

## Reconciliation of capital expenditure to acquire property, plant and equipment by segment:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Owned hotels:			
Europe	26,176	23,431	11,777
North America	100,931	14,845	9,796
Rest of world	30,103	17,158	19,190
Total owned hotels	157,210	55,434	40,763
Owned trains & cruises	8,420	7,927	12,882
Unallocated corporate	450	4,469	1,459
Total capital expenditure to acquire property, plant and equipment	166,080	67,830	55,104

## Carrying value of investment in equity method investees:

	2018	2017
December 31,	\$'000	\$'000
Eastern & Oriental Express	2,603	2,642
Peru hotels	21,281	20,869
PeruRail	42,768	38,138
Buzios	2,434	2,893
Other	98	102
Total investment in equity method investees	69,184	64,644

Table of Contents

Earnings from unconsolidated companies, net of tax:

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Part-owned/managed hotels	474	1,037	1,112
Part-owned/managed trains	8,881	(11,250)	9,901
Total earnings from unconsolidated companies, net of tax	9,355	(10,213)	11,013

Revenue from external customers in Belmond's country of domicile and significant countries (based on the location of the property):

	2018	2017	2016
Year ended December 31,	\$'000	\$'000	\$'000
Bermuda	—	—	—
Italy	186,232	136,538	128,671
United Kingdom	40,853	56,432	56,016
United States	110,209	112,677	108,238
Brazil	59,473	59,737	73,300
All other countries	180,069	195,615	183,599
Revenue	576,836	560,999	549,824

Property, plant and equipment at book value in Belmond's country of domicile and significant countries (based on the location of the property):

	2018	2017
December 31,	\$'000	\$'000
Bermuda	—	—
Italy	366,223	336,263
United Kingdom	43,783	52,311
United States	326,840	334,634
Brazil	62,734	74,944
All other countries	462,352	369,892
Total property, plant and equipment at book value	1,261,932	1,168,044

## 26. Related party transactions

Belmond manages, under long-term contract, the tourist train owned by Eastern and Oriental Express Ltd., in which Belmond has a 25% ownership interest. In the year ended December 31, 2018, Belmond earned management fees from Eastern and Oriental Express Ltd. of \$340,000 (2017 - \$295,000; 2016 - \$236,000), which are recorded in revenue. The amount due to Belmond from Eastern and Oriental Express Ltd. at December 31, 2018 was \$6,157,000 (2017 - \$6,302,000).

Belmond manages, under long-term contracts in Peru, Belmond Hotel Monasterio, Belmond Palacio Nazarenas, Belmond Sanctuary Lodge, Belmond Hotel Rio Sagrado, Belmond Las Casitas del Colca, PeruRail and Ferrocarril Transandino, in all of which Belmond has a 50% ownership interest. Belmond provides loans, guarantees and other credit accommodation to these joint ventures. In the year ended December 31, 2018, Belmond earned management



and guarantee fees from its Peruvian joint ventures of \$15,411,000 (2017 - \$15,154,000; 2016 - \$14,734,000) which are recorded in revenue. The amount due to Belmond from its Peruvian joint ventures at December 31, 2018 was \$3,722,000 (2017 - \$6,029,000).

## Table of Contents

Belmond owns 50% of a company holding real estate in Buzios, Brazil. The amount due to Belmond from the joint venture at December 31, 2018 was \$413,000 (2017 - \$431,000).

On the April 19, 2016, Belmond completed the sale of the property, plant and equipment relating to the trains and carriages that were formerly operated as the Great South Pacific Express in Queensland, Australia for consideration of \$2,362,000 to the Company's PeruRail joint venture. The carriages were sold at their carrying value and no gain or loss arose on disposal.

During 2018, Belmond provided conference and banqueting services in the amount of \$32,000 (2017 - \$219,000, 2016 - \$488,000) to Crawford & Co. and GHS Holdings, LLC, companies in which Mr. Harsha Agadi, who is a member of the board of directors of Belmond, is the Chief Executive Officer and President. The amount due to Belmond from Crawford & Co. at December 31, 2018 was \$Nil (2017 - \$194,000).

On July 6, 2018, the Company entered into an agreement with Mr. Sherwood that terminated the right of first refusal and purchase option. See Notes 21 and 23.

### 27. Subsequent events

On February 14, 2019, Belmond held a special general meeting of shareholders (the "Special General Meeting") at which holders of class A common shares, par value \$0.01 per share, of the Company and holders of class B common shares, par value \$0.01 per share, of the Company, voting together as a single class, approved the proposal to approve the Agreement and Plan of Merger, dated as of December 13, 2018 (as it may be amended from time to time, the "Merger Agreement"), by and among the Company, LVMH Moët Hennessy - Louis Vuitton SE, Palladio Overseas Holding Limited, and Fenice Ltd. ("Merger Sub"), including the statutory merger agreement attached thereto, and the merger of Merger Sub with and into the Company contemplated thereby (the "Merger Proposal"). The proposal to adjourn the Special General Meeting was not necessary or appropriate because there were sufficient votes to approve the Merger Proposal.

### ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

### ITEM 9A. Controls and Procedures

#### Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have evaluated the effectiveness of Belmond's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) to ensure that the information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to Belmond management to allow timely decisions regarding required disclosure and to provide reasonable assurance that the information is recorded, processed, summarized and reported within the appropriate time periods. Based on that evaluation, Belmond management has concluded that these disclosure controls and procedures were effective as of December 31, 2018.

#### Management's Annual Report on Internal Control over Financial Reporting

Belmond management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)). Belmond's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with U.S. generally accepted accounting principles. Management have excluded three entities of Belmond Castello di Casole from the evaluation of internal control over financial reporting as of December 31, 2018 because these entities were acquired in business combinations during the year ended December 31, 2018. These entities will be integrated into Belmond's internal controls over financial reporting for the year ended December 31, 2019. On a combined basis, the entities represent approximately 2.8 percent of total assets and 1.5 percent of revenue as of and for the fiscal year ended December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on this assessment and those criteria, management has concluded that Belmond's internal control over financial reporting was effective as of December 31, 2018.

Deloitte LLP, Belmond's independent registered public accounting firm, issued the report below on the effectiveness of Belmond's internal control over financial reporting.

## Table of Contents

### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of  
Belmond Ltd.  
Hamilton, Bermuda

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Belmond Ltd. and subsidiaries (the “Company”) as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Company and our report dated February 28, 2019, expressed an unqualified opinion on those financial statements.

As described in Management's Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at three entities of Belmond Castello di Casole, which was acquired on February 7, 2018 and whose financial statements constitute approximately 2.8% and 1.5% of total assets and total revenue respectively of the consolidated financial statement amounts as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at these entities.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Table of Contents

/s/ Deloitte LLP

London, England  
February 28, 2019

137

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Table of Contents

Changes in Internal Control over Financial Reporting

The Company is implementing an enterprise resource planning (“ERP”) system on a worldwide basis to replace disparate systems currently in place at each of the Company's businesses. The implementation is occurring in phases globally over the next 12 to 18 months and has been executed in 53% of our operations to date. The Company believes it is maintaining and monitoring appropriate internal controls during the implementation period and further believes that its internal control environment will be enhanced as a result of this implementation.

There have been no changes in Belmond’s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, Belmond’s internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met, such as prevention and detection of misstatements. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate, for example. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

ITEM 9B. Other Information

None.

Table of Contents

## PART III

## ITEM 10. Directors, Executive Officers and Corporate Governance

Item 10 of Part III of Form 10-K requires registrants to furnish the information required by the following items of Regulations S-K, Part 400: Items 401 (Directors, Executive Officers, Promoters and Control Persons), 405 (Compliance with Section 16(a) of the Exchange Act), 406 (Code of Ethics) and 407(c)(3) (Material Changes to Procedures for Shareholder Nomination of Directors), (d)(4) (Names of audit committee members) and (d)(5) (Audit Committee Financial Expert). Because the Company is a "foreign private issuer" as defined by Rule 3b-4 under the Securities Exchange of 1934, as amended, it is not required to comply with Section 16(a) of the Exchange Act. Accordingly, the Company has not provided the information called for in Item 405.

## Directors

The current directors of the Company are as follows:

Name, Age	Principal Occupation and Other Major Affiliations	Year First Became Director
Harsha V. Agadi, 56	Chief Executive Officer and President of Crawford & Company (international insurance services firm) and Chairman and Chief Executive Officer of GHS Holdings, LLC (investing and restaurant consulting business)	2011
Roland A. Hernandez, 61	Chairman of the Board of the Company, and Founding Principal and Chief Executive Officer of Hernandez Media Ventures (acquisition and management of media assets)	2013
Mitchell C. Hochberg, 66	President of Lightstone Group LLC (real estate investment and development firm)	2009
Ruth A. Kennedy, 54	Founder and Consultant of Kennedy Dundas Ltd. (brand and business consultancy)	2012
Ian Livingston, 54	Member of the U.K. House of Lords, Chairman, Dixons Carphone plc, Chairman, Man Group plc	2015
Demetra Pinsent, 44	Chief Executive of Islestarr Holdings Ltd. (beauty and cosmetics company)	2017
Gail Rebuck, 67	Member of the U.K. House of Lords, Chair of Penguin Random House UK	2015
H. Roeland Vos, 61	President and Chief Executive Officer of the Company	2014

The principal occupation of each director is set forth in the table above supplemented by the following information.

Mr. Agadi was appointed Chief Executive Officer and President of Crawford & Company, an international insurance services firm listed on the New York Stock Exchange, in June 2016, after serving as its Interim Chief Executive Officer and Interim President since August 2015. Mr. Agadi is also Chairman and Chief Executive Officer of GHS Holdings, LLC, an investing and restaurant consulting business, a position he has held since 2000. From 2012 to 2014, Mr. Agadi was Executive Chairman of Quizno's Global LLC, a privately-owned group of mainly franchised restaurants in 40 countries. Previously in 2010 to early 2012, he was Chairman and Chief Executive Officer of Friendly Ice Cream Corporation, a private company operating restaurants principally in the eastern United States. From 2004 to 2009, Mr. Agadi was President and Chief Executive of Church's Chicken Inc., another branded restaurant group in over 20 countries. From 2000 to 2004, he was an Industrial Partner of Ripplewood Holdings LLC,



a private equity investment firm, and in the 1990s held executive positions with other branded restaurant groups. Mr. Agadi is on the Board of Visitors of the Fuqua Business School at Duke University.

Mr. Hernandez has been the Founding Principal and Chief Executive Officer of Hernandez Media Ventures since 2001. He previously served as Chief Executive Officer of Telemundo Group, Inc. from 1995 to 2000, and also Chairman from 1998 to 2000. He founded Interspan Communications and served as President from 1986 to 1994. He currently is a non-executive director of MGM Resorts International, Vail Resorts Inc., and U.S. Bancorp, all listed on the NYSE. At MGM Resorts and Vail Resorts, he is Lead Director on each board. He previously served on the board of Sony Corporation for five years to 2013, The Ryland Group Inc. for 12 years to 2012, and Wal-Mart Stores Inc. for ten years to 2008, all NYSE-listed companies. Mr. Hernandez has gained significant board committee experience at all of these listed companies. In addition, he is currently a member of the Board of Advisors of Harvard Law School and a member of the President's Council on International Activities at Yale University. He was

## Table of Contents

appointed Chairman of the Board of Belmond Ltd. in June 2013.

Mr. Hochberg was appointed President of Lightstone Group LLC in 2012, a privately-owned U.S.-based real estate company owning, developing and managing a diversified portfolio of commercial, industrial, multi-family residential, and hospitality properties. He has been the Managing Principal of Madden Real Estate Ventures since 2007. He was President and Chief Operating Officer of Ian Schrager Company, a developer and manager of innovative luxury hotels and residential projects in the United States from 2006 through early 2007. Mr. Hochberg founded, and for 20 years through 2005, was the President and Chief Executive Officer of Spectrum Communities and its successor, developers of luxury home communities in the northeastern United States. Mr. Hochberg was the non-executive Chairman of Orleans Homebuilders Inc., a developer of single-family residences in seven U.S. states from 2011 to 2014. He is Chairman of the Board of Directors of WMC Health, a \$2.2 billion, ten-hospital, regional healthcare network. He is a lawyer and a certified public accountant.

Ms. Kennedy founded Kennedy Dundas in 2009, a brand and business consultancy advising clients in the luxury goods and services sectors to meet their business development objectives. From 2006 to 2009, she served as head of Quinlan Private UK, a Dublin-based real estate and private equity group managing commercial and residential properties in Europe including luxury hotels. Ms. Kennedy was responsible for opening offices in the United Kingdom and establishing the firm's private client business in Europe. For sixteen years prior to that position, Ms. Kennedy served as Managing Director responsible for business development as well as day-to-day operations with David Linley and Co., the bespoke furniture and design business in the U.K. Ms. Kennedy began her career at S.G. Warburg as an investment banker. Ms. Kennedy is a non-executive director of Bholdings Ltd, a private company providing various business services, David Linley Holdings and Value Retail plc, a private company specializing in the creation and operation of luxury shopping outlet destinations, and an executive director of Kennedy Dundas.

Lord Livingston is a member of the U.K. House of Lords after being made a life peer in 2013 and served as U.K. Minister of State for Trade and Investment from December 2013 to May 2015. Prior to this appointment, Lord Livingston held a number of executive positions with BT Group plc, one of the world's leading communications companies and a member of the FTSE 100, including Group Chief Executive Officer from 2008 to 2013, and served on the company's board of directors throughout his eleven-year tenure with the company. Prior to his time with BT Group, Lord Livingston held various leadership positions from 1991 to 2002, including Chief Financial Officer and executive director, with Dixons Group plc (now Dixons Carphone plc), one of the largest consumer electronics retailers in Europe. Lord Livingston currently serves as the non-executive Chairman of Dixons Carphone plc and as the non-executive Chairman of Man Group plc. Lord Livingston is a member of the Institute of Chartered Accountants in England and Wales.

Lady Pinsent is Chief Executive of Islestarr Holdings Ltd. and its related subsidiaries, a privately-owned beauty and cosmetics company based in the U.K., a position she has held since 2012. Lady Pinsent worked at McKinsey & Co. from 1999 to 2012, and was elected partner in 2006. She led its retail and consumer practice with a focus primarily across the luxury goods, fashion, apparel, food and health, and beauty sectors. Lady Pinsent was a non-executive director of Capital & Counties Properties plc, a UK-based property investment and development company listed on the London and Johannesburg Stock Exchanges, from 2012 until 2017. In January 2017, Lady Pinsent was appointed as a Trustee of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry.

Baroness Rebuck has served as Chair of Penguin Random House UK from 2013 to date. From 1991 until 2013, she served as Chair and Chief Executive of Random House UK and its overseas subsidiaries. Baroness Rebuck was the co-founder and director of Century Publishing, which was launched in 1982 and which was acquired by Random House Inc. in 1989, at which time Baroness Rebuck became Chair of the Random House division. Baroness Rebuck is currently a member of the Global Board of Representatives of Penguin Random House, a member of the General Management Committee of Bertelsmann SE & Co. KGaA, and a non-executive director of Koovs plc and Guardian

Media Group. Baroness Rebuck was a non-executive director of British Sky Broadcasting Group plc from 2002 until 2012. Baroness Rebuck chairs the Council of the Royal College of Art. Baroness Rebuck was awarded a DBE in 2009 and was appointed a life peer to the House of Lords in 2014.

Mr. Vos was appointed President and Chief Executive Officer of Belmond in September 2015. He was elected to the Belmond board of directors in June 2014. From 2001 to 2013, Mr. Vos served as President of the Europe, Africa and Middle East division of Starwood Hotels and Resorts Worldwide, Inc., and until mid-2015, he acted as an independent director on the board of Starwood EAME bvba. Mr. Vos served as the Vice Chairman of the Supervisory Board of Design Hotels AG, a hotel marketing company majority-owned by Starwood and listed on the Munich stock exchange, until July 2014. Mr. Vos joined ITT Sheraton, a predecessor of Starwood, in 1982 and held progressively senior hotel operating and management positions throughout his career, including President, Europe and Senior Vice President and Area Director, Italy and Malta, during which period he was an integral part of the introduction and expansion of the Luxury Collection. During his 12 years as President of Europe, Africa and Middle East, the division grew from 127 owned and managed properties in the region to 243 spread over 60 countries, with another 64 hotels and resorts in the development pipeline. In addition to serving on the board of Belmond, Mr. Vos is on the board of Albron B.V., a

## Table of Contents

Dutch foundation that operates catering and restaurants in the Netherlands and Belgium and until December 2015, he was on the board of Joa Group Holding, a private company that operates 21 casinos in France.

### Director Qualifications

When considering whether the directors have the experience, qualifications, attributes and skills, taken as a whole, to enable the Company's board of directors to satisfy its oversight responsibilities effectively in light of Belmond's business and structure, the board of directors considered each person's background and experience outlined above.

In addition, the board of directors considered the particular experience and skills of each director as set out below:

Name	Experience and Skills
Harsha V. Agadi	The board of directors considered Mr. Agadi's experience as chief executive of various restaurant companies operating in many different countries. As chief executive, Mr. Agadi developed expertise in sales, marketing, operations, finance, strategy and development. Like Belmond, these companies under Mr. Agadi's guidance relied on his strong marketing and brand awareness.
Roland A. Hernandez	The board of directors considered Mr. Hernandez's executive capabilities leading successful media and entertainment businesses and his experience as a non-executive director of several publicly traded companies in the U.S., including as lead director of two companies in the luxury hospitality business, and as a member of various audit, nominating, governance and other board committees.
Mitchell C. Hochberg	The board of directors considered Mr. Hochberg's real estate industry and operational experience, including his service as an executive officer of a developer and manager of innovative luxury hotels and residential projects in the U.S. and as an executive officer of a diversified real estate portfolio company. Also relevant was his background in accounting and law.
Ruth A. Kennedy	The board of directors considered Ms. Kennedy's experience as a consultant in the luxury goods and services sectors for clients seeking to develop and strengthen their individual brands. The board of directors also considered her experience in managing a luxury goods business and her work in finance.
Ian Livingston	The board of directors considered Lord Livingston's executive and operational capabilities in successfully leading large publicly traded and consumer-focused companies, including as Chief Executive Officer of BT Group, and his many years of board and corporate governance experience as a director. Lord Livingston also brings financial experience to the board, including through his role as the former Chief Financial Officer at Dixons Group and BT Group and as a member of the Institute of Chartered Accountants in England and Wales. The board of directors also considered Lord Livingston's experience as a senior government minister responsible for trade promotion and investment and trade policy for the U.K.
Demetra Pinsent	The board of directors considered Lady Pinsent's experience as chief executive of a beauty and cosmetics company and her operational and financial experience in retail- and consumer-focused sectors at McKinsey & Co, bringing her appreciation for and insight into branding and marketing, particularly digital strategies, to the Company.
Gail Rebuck	The board of directors considered Baroness Rebuck's leadership experience at successful consumer-focused companies, including being a co-founder of a publishing company, and her years of board and corporate governance experience as a director of various publicly traded companies.
H. Roeland Vos	The board of directors considered Mr. Vos's hotel industry and operational experience, including his background in deluxe hotel-owning and operating companies, his experience in developing new hotels, his insight into many aspects of hotel design, and his understanding of international business, general management and corporate strategy, including his service as Vice Chairman of the Supervisory Board of a luxury hotel group.



## Table of Contents

### Executive Officers

The current executive officers of the Company are as follows:

Name, Age	Position
H. Roeland Vos, 61	President and Chief Executive Officer
Ingrid Eras-Magdalena, 53	Executive Vice President, Chief Human Resources Officer
Richard M. Levine, 58	Executive Vice President, Chief Legal Officer and Secretary
Martin O'Grady, 55	Executive Vice President, Chief Financial Officer
Daniel Ruff, 40	Senior Vice President, Head of Global Operations

The principal occupation of the current executive officers of the Company is shown in the table above supplemented by the following information, except with respect to Mr. Vos whose previous experience is described above regarding the Company's directors.

Ms. Eras-Magdalena joined the Company in 2014 from Starwood Hotels & Resorts Worldwide, Inc., where she served as Vice President, People Development and Staffing for the Europe, Africa and Middle East division since 2006. Ms. Eras-Magdalena previously held various positions in the human resources department of Starwood's Europe, Africa and Middle East division starting in 2000 and several years in operations with Starwood, Le Meridien and Forte Hotels in Europe.

Mr. Levine joined the Company in February 2012 after eight years with Kerzner International Holdings, Ltd., a global resort development and management business operating primarily under the One&Only and Atlantis brands, where he served as Executive Vice President and General Counsel working in business development and restructuring while leading the legal, regulatory and compliance department. Previously he worked in the private equity investment business as General Counsel at Hellman & Friedman LLC (1998-2003) and General Counsel for the Private Equity Division of Credit Suisse First Boston (1996-1998).

Mr. O'Grady joined the Company in February 2008 from Orion Capital Managers LP, a European private equity real estate investment firm including hotels, where he served as Chief Financial Officer. From 1999 until 2005, he worked for Security Capital European Realty, where he served as Chief Financial Officer of Access Self Storage, a retail self-storage operator in the United Kingdom, France and Australia. From 1992 until 1998, Mr. O'Grady held a number of senior finance positions with Jardine Matheson Group, an Asian-based conglomerate, including Group Financial Controller of Mandarin Oriental Hotel Group from 1992 to 1995. Mr. O'Grady began his career with PricewaterhouseCoopers and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Ruff joined the Company in January 2018 from Wyndham Hotel Group where he served as President and Managing Director of Europe, the Middle East, Africa and India from November 2014 through 2017. Prior to joining Wyndham Hotel Group, Mr. Ruff held various roles in corporate investments and development, brand integration and operations and special projects during his eleven-year tenure at Starwood Hotels & Resorts Worldwide, Inc., including as Vice President, Asset Management and Vice President, Owner Relations & Portfolio Management. Mr. Ruff began his career as an investment banking analyst with Credit Suisse First Boston.

### Corporate Governance

The board of directors of the Company has established corporate governance measures substantially in compliance with requirements of the NYSE. These include Corporate Governance Guidelines, charters for each of the standing Audit Committee, Compensation Committee and Nominating and Governance Committee of the full board, and a

Code of Conduct applying to all directors, officers and employees. Each of these documents is published on the Company's website ([belmond.com](http://belmond.com)).

Because the Company is a foreign private issuer as defined in SEC rules, it is not required to comply with all NYSE corporate governance requirements as they apply to U.S. domestic companies listed on the NYSE. The Company's corporate governance practices, however, do not differ in any significant way from those requirements, except that if the board of directors determines that a particular director has no material relationship with Belmond and is otherwise independent, the board may waive any of the NYSE independence requirements that are applicable to U.S. domestic companies. The Company's corporate governance practices comply with applicable requirements of the SEC.

Table of Contents

The board of directors met 20 times during 2018 (including meetings related to its review of strategic alternatives for the Company) and all of the directors attended more than 75% of those meetings.

The members of the Company's Audit Committee are Lord Livingston (chairman), Lady Pinsent, and Messrs. Agadi and Hochberg. The board has designated Lord Livingston and Mr. Hochberg as audit committee financial experts as defined by SEC rules. The members of the Compensation Committee are Messrs. Agadi (chairman), Ms. Kennedy and Baroness Rebuck. The members of the Nominating and Governance Committee are Ms. Kennedy (chair), Baroness Rebuck and Mr. Hochberg. See Item 13—Certain Relationships and Related Transactions, and Director Independence below.

In addition, the board has appointed Messrs. Hochberg (chairman), Agadi and Vos, Lord Livingston, and Lady Pinsent, as well as Martin O'Grady, who is Chief Financial Officer but not a director, as an Investment Committee to consider important finance and development matters in preparation of presentation of those matters to the full board for discussion.

Regarding the independence of directors from Belmond and its management, the board has reviewed the materiality of any relationship that each of them has with Belmond either directly or indirectly through another organization, including the fees and other compensation described under "Non-Executive Director Fees" in Item 11—Executive Compensation. The criteria applied included the director independence requirements set forth in the Company's Corporate Governance Guidelines, any managerial, familial, professional, commercial, compensatory or affiliated relationship between a director and the Company, a subsidiary or another director, the SEC's independence rules with respect to members of the Company's Audit Committee as set forth in Rule 10A-3 under the Securities Exchange Act of 1934 as amended and the corresponding NYSE listing standard, and the NYSE's listing standards with respect to members of the Company's Compensation Committee and Nominating and Governance Committee.

Based on this review, the board has determined that Ms. Kennedy, Lady Pinsent, Baroness Rebuck, Messrs. Agadi, Hernandez, and Hochberg, and Lord Livingston are "independent" directors under the rules and standards outlined above. The Company's Corporate Governance Guidelines, as well as the charters of the Audit, Compensation and Nominating and Governance Committees, are available at Belmond's website [belmond.com](http://belmond.com).

The non-executive directors of the Company meet regularly without management present. Mr. Hernandez, Chairman, presides at these executive sessions of the board.

Interested persons may communicate directly with any of the Company's directors by writing to him or her at the Company's registered office address (Belmond Ltd., 22 Victoria Street, Hamilton HM 12, Bermuda).

## ITEM 11. Executive Compensation

Because the Company is a foreign private issuer, it is responding to this Item 11 as permitted by Item 402(a)(1) of SEC Regulation S-K under the 1934 Act.

The following table shows the salary and bonus paid in cash during 2018 to Mr. Vos, and to all executive officers as a group, for services to Belmond during 2018:

Name of Individual or Group	Principal Capacities in Which Served	Cash Compensation
H. Roeland Vos	President, Chief Executive Officer and Director	\$ 1,466,251
All executive officers as a group (5 persons)(1)		\$ 3,949,372



(1) The group comprises the executive officers set forth in Part III, Item 10—Directors, Executive Officers and Corporate Governance—Executive Officers.

Mr. Vos was appointed President and Chief Executive Officer in September 2015. In connection with Mr. Vos's appointment, the Company entered into certain compensatory agreements with Mr. Vos, including a Service Agreement between a subsidiary of the Company and Mr. Vos (the "Service Agreement"), and a Severance Agreement between the Company and Mr. Vos (the "Severance Agreement"), each dated September 20, 2015.

The principal terms of the Service Agreement relating to Mr. Vos's compensation include the following:

- an annual base salary of £605,806, subject to annual increases as determined by the board of directors of the Company or its compensation committee;

Table of Contents

eligibility for an annual bonus at a target level of 100% of his annual base salary and a maximum level of 200% of his annual base salary, with a bonus of £161,290 in respect of 2015 subject to achievement of individual goals and objectives;

a sign-on award of 75,000 deferred class A common shares, vesting annually in three tranches;

an equity grant for the stub period of 2015 for stock options granted over 96,165 class A common shares at an exercise price of \$13.75 per share vesting pro rata annually in four tranches;

participation at the executive level in future grants under the Company's long-term incentive plan during each financial year of the Company;

participation in the pension scheme of the subsidiary of the Company from which Mr. Vos has since opted out and instead receives a cash pension allowance equivalent to the value of his entitlement under Company policy;

a severance payment in the event of termination of his employment without cause or his resignation for good reason in the amount of \$2 million paid in equal monthly installments over an 18 month period plus health insurance for 18 months for Mr. Vos and his spouse under the existing plans or, if he is not eligible, reimbursement or payment in cash to obtain the equivalent coverage in both cases conditional on compliance with post-termination obligations;

provision of a furnished apartment in London for the non-exclusive use of Mr. Vos which will be leased for not more than £7,500 per month; and

reimbursement for reasonable commutation expenses for transportation between London and Brussels or Amsterdam.

The Service Agreement is a fixed-term agreement for an initial term of three years ending on December 31, 2018. Unless the Service Agreement is terminated before the expiry of the initial term (by either party serving on the other no less than three months' notice of termination to be served no later than September 30, 2018) the Service Agreement will automatically extend for a further two years until December 31, 2020. If the Service Agreement is extended, it will, upon expiry of the fixed term, automatically terminate without the need for notice.

Under the Service Agreement, Mr. Vos is subject to a 12-month non-competition and non-solicitation covenants.

The principal terms of the Severance Agreement provide that if the Company undergoes a change in control, and if Mr. Vos's employment is terminated by the Company or its subsidiary without cause or if he resigns for good reason within one year following the change in control (or in anticipation of the change in control), then Mr. Vos will not receive any severance benefits under his Service Agreement but will instead be entitled to a severance payment under the Severance Agreement. Such payment shall be payable in cash and equal to (A) two times the sum of (x) Mr Vos's applicable base salary; and (y) the most recent annual bonus payment made to Mr Vos less (B) any amount paid to Mr Vos in lieu of notice (or paid in respect of the remainder of any applicable fixed term at the time of such termination) shall be deducted from such amount.

On December 15, 2017, Mr.Vos's Service Agreement was amended to establish an exchange rate mechanism for his salary, bonus and, if any, severance payments, due to him under his Service Agreement such that if there was a fluctuation (up or down) of the exchange rate between the UK Pound Sterling and the Euro of more than 5% from the closing spot exchange rate existing on September 18, 2015, there would be an adjustment of the UK Pound Sterling amount that he would receive to put him at a parity to the amount that he would have received in Euros on September 18, 2015. In addition, the amendment effected a change to Mr. Vos's permanent disability coverage to put him in the

same position that other executives at the Company would be so that if such coverage were triggered while he was employed under the Service Agreement, he would retain coverage through his 65th birthday.

On October 11, 2018, Belmond (UK) Limited and H. Roeland Vos entered into a Restated and Amended Employment Agreement (the "Restated and Amended Employment Agreement") and an Amendment to Severance Agreement (the "Vos Severance Amendment").

The principal terms of the Amended and Restated Employment Agreement include the following:

The Initial Fixed Term (as such term is defined in the Restated and Amended Employment Agreement) was extended for a two-year period ending on December 31, 2020, unless the Restated and Amended Employment Agreement is terminated earlier;

## Table of Contents

Mr. Vos's annual base salary was increased from £605,806 to £617,922 to take into account inflation as of March 1, 2017;

Mr. Vos's eligibility for an annual bonus remains at a target level of 100% of his annual base salary and a maximum level of 200% of his annual base salary. With respect to Mr. Vos's annual bonus upon the consummation of a "Change in Control" (as such term is defined in the severance agreement), (i) if a Change in Control occurs during the 2018 calendar year or prior to the date on which his bonus for 2018 is paid, Mr. Vos's annual bonus for 2018 will be automatically deemed to have been achieved at the 100% target level, and (ii) if a Change in Control occurs during the 2019 calendar year, a pro-rated portion of Mr. Vos's 2019 bonus will be automatically deemed to have been achieved at the 100% on-target level. In the event that a Change in Control does not occur during 2018 or 2019, Mr. Vos's annual bonus will remain subject to the terms and conditions of the Company's annual incentive scheme;

With respect to Mr. Vos's annual equity incentive awards, the terms of his Letter Agreement with the Employer dated September 20, 2015 were incorporated into the Restated and Amended Employment Agreement providing that (i) upon a Change in Control all of Mr. Vos's outstanding unvested equity awards that are performance shares will vest at the full target level or at such greater level as may be provided in the definitive agreement for the Change in Control transaction and (ii) if Mr. Vos's employment is terminated without cause or for "good reason", Mr. Vos's options and awards shall remain in force and continue to vest, notwithstanding the termination of his employment.

The Vos Severance Amendment provides that in addition to the severance payment to which Mr. Vos is entitled if he is terminated or resigns for good reason within twelve months after a Change in Control, the Company will also provide him with 18 months of private medical insurance. The Vos Severance Amendment also clarifies that "good reason" resignation would include a Change in Control that results in Mr. Vos ceasing to be the Chief Executive Officer of an independently publicly traded company.

The Company has previously entered into indemnification and severance agreements with each of its executive officers. The severance agreements entitle the officers to receive termination payments in certain circumstances constituting a change in control of the Company in an amount equal to two times each officer's annual compensation, and require the Company to pay the excise tax on the severance payments of the U.S. tax-paying officers. On October 17, 2018, the Company entered into an Amendment to the Severance Agreement with each officer (the "Officer Severance Amendment"). For all executive officers, the Officer Severance Amendment provides that in the event of Potential Change of Control (as defined in the Officer Severance Amendment) or a Change in Control, the term of the severance agreement may not be terminated until after the expiration of the severance protection period and the satisfaction of any severance payment obligations. In addition, for executive officers based in the U.K., the Officer Severance Amendment provides termination payments upon qualifying terminations of employment that occur either (i) within twelve months of a Change of Control, where all of the officer's outstanding equity awards become fully vested and/or are canceled in exchange for full payment (in cash or stock consideration) in connection with the Change in Control, or (ii) eighteen months of a Change in Control, where such outstanding equity awards do not become fully vested and/or fully paid. The forms of indemnification and severance agreements are filed as exhibits to this report.

## Retirement Plans

Employees based in the United Kingdom, including officers, are eligible to participate in a defined contribution retirement plan established by a U.K. subsidiary of Belmond, under which the subsidiary contributes to individual accounts established by employees. The subsidiary currently contributes for the officer participants in this plan at the rate of up to ten percent of annual salary. Under the U.K. plan, the Belmond subsidiary contributed on behalf of participating officers a total of \$8,855 during 2018. See Note 14 to the Financial Statements regarding retirement plans.

Certain U.S. subsidiaries of Belmond have adopted a 401(k) retirement plan that permits employees to contribute pre-tax amounts out of their compensation into individual tax-deferred accounts. The maximum contribution most employees could make was \$18,500 in 2018. Belmond paid a total of \$11,000 into the account of the officer based in the U.S. participating in this plan in 2018 as a partial matching payment under the plan in addition to his own contribution.

Table of Contents

Option Awards under 2000 and 2004 Stock Option Plans and 2009 Share Award and Incentive Plan

Options to purchase class A common shares of the Company at market value at the time of award have been granted to directors, officers and selected employees under the Company's 2000 and 2004 Stock Option Plans and 2009 Share Award and Incentive Plan. The Compensation Committee of the board of directors administers these plans. There are no options outstanding under the 2000 and 2004 Plans and, following adoption of the 2009 Plan by shareholders at the 2009 annual general meeting of the Company, no further awards were made under the 2000 or 2004 Plans. The options awarded have substantially the same terms and expire ten years from date of grant. Prior to 2015, the options awarded generally became exercisable three years after the date of grant. Options awarded in 2015 and thereafter are exercisable with respect to 25% of the number of options awarded on each of the first four anniversaries of the date of grant. In certain circumstances constituting a change in control of the Company, outstanding options become immediately exercisable, and optionees may thereafter surrender their options instead of exercising them and receive directly from the Company in cash the difference between the option exercise price and the value of the underlying shares determined according to the plans.

During 2018, the Company did not grant any stock options to its executive officers and non-executive directors and no options were exercised by the Company's executive officers and non-executive directors.

At December 31, 2018, options under the 2009 Plan to purchase an aggregate of 1,008,551 class A common shares (of which 753,809 options are exercisable within 60 days) were held by the Company's executive officers and directors at per share exercise prices ranging from \$8.06 to \$14.51 and expiring between 2019 and 2027. See Note 19 to the Financial Statements.

Share Awards under 2009 Share Award and Incentive Plan

Under the 2009 Share Award and Incentive Plan, directors, officers and selected employees have been awarded by the Compensation Committee amounts of class A common shares of the Company to be issued currently or on a deferred basis after the expiration of a vesting period. The committee may condition the vesting of deferred shares or restricted shares on achievement, in whole or in part, of specified performance criteria in the individual award such as earnings targets or other criteria. Shares may also be issued under the awards before the vesting period has expired if a change in control of the Company occurs or certain other early vesting events occur.

During 2018, awards of deferred shares were made under the 2009 Plan with performance criteria based on Belmond's cumulative EBITDA on up to 200,800 class A common shares to the current executive officers of the Company, all vesting in 2021. Also during 2018, awards of restricted shares without performance criteria were made under the 2009 Plan on 130,364 class A common shares to the Company's non-executive directors, vesting between 2019 and the director's retirement, and awards of restricted shares without performance criteria on 153,600 class A common shares were made to current executive officers of the Company, vesting between 2019 and 2022. In addition, during 2018 under past awards of deferred shares with and without performance criteria under the 2009 Plan, and past awards of restricted shares without performance criteria under the 2009 Plan, a total of 229,241 class A common shares was issued to current executive officers, 56,390 class A common shares to non-executive directors, and 11,600 class A common shares to an executive officer who left the Company during the year.

At December 31, 2018, deferred share awards with and without performance criteria on a total of up to 464,000 class A common shares were outstanding to current executive officers and current non-executive directors under the 2009 Plan vesting in 2019 to 2021, and restricted share awards without performance criteria on a total of 594,527 class A shares were outstanding to current executive and current non-executive directors vesting in 2019 and beyond. None of these awards are issuable within 60 days. See Note 19 to the Financial Statements.



## Table of Contents

### Non-Executive Director Fees

In March 2014, at the recommendation of the Compensation Committee after analysis by its independent compensation consultants of director compensation at other hotel companies, the board of directors amended the compensation of the Company's non-executive directors with effect from July 1, 2014 in order to simplify the compensation and make it consistent with market practice. The changes (i) eliminated all board and committee per meeting attendance fees (which meeting attendance fees had been between \$1,500 and \$5,500 for each meeting of the board or committee attended); (ii) increased the annual board member annual retainer fee to \$77,500 from \$50,000; (iii) increased the annual Audit Committee member fee to \$10,000 from \$5,000 and the annual member fee of the Compensation Committee, Nominating and Governance Committee and Investment Committee to \$7,500 from \$2,500; (iv) eliminated payment of committee member fees to the committee chairmen while increasing the annual chairman fee for the Audit Committee to \$35,000 from \$25,000 and for each of the Compensation Committee, Nominating and Governance Committee and Investment Committee to \$20,000 from \$12,500; and (v) increased the annual award of class A common shares under the 2009 Share Award and Incentive Plan to \$150,000 from \$100,000. In March 2016, consistent with advice received from the independent compensation consultant to the Compensation Committee, the board approved an increase to the annual fee for the chairman of the Compensation Committee to \$27,500 from \$20,000.

As Chairman of the board, Mr. Hernandez is paid a Chairman's fee at an annual rate of \$500,000, all of which he elected in 2018 to be paid in the form of restricted shares under the 2009 Plan.

Aggregate annual retainer and chairmen fees as described above amounted to \$650,000 in 2018. In addition, the non-executive directors received fees in an aggregate of \$202,000 in 2018 related to their review of strategic alternatives for the Company.

In addition, as noted above, the non-executive directors participate in the Company's 2009 Share Award and Incentive Plan. Included in the awards above are awards in 2018 to the non-executive directors under the 2009 Plan of restricted shares on a total of 130,362 class A common shares.

In March 2013, following a review of director discount policies of other hotel companies and with an objective of encouraging the Company's directors to visit and experience the Company's properties while avoiding displacement of revenue during periods of high occupancy, the board of directors adopted an amended director discount policy that applies to all of the non-executive directors and their direct family members, including the Chairman, during personal visits at Company properties. The policy allows a 75% discount on each property's average room rates, except the first 21 room nights each year are without charge, and a 50% discount on list prices of food and beverages and other services at each property, other than third-party provided services. These discounts are not available during times when a property's occupancy exceeds 90%. This director discount policy also applies for three years to any non-executive director after he or she retires from the board at age 75 or otherwise steps down from the board at an annual general meeting of the Company after at least five years of board service.

The Company has entered into a director indemnification agreement with each of its non-executive directors, the form of which is filed as an exhibit to this report.

See Item 13—Certain Relationships and Related Transactions regarding an agreement between Belmond and James B. Sherwood, a former director of the Company, relating to the Hotel Cipriani in Venice, Italy.

### Compensation Committee Interlocks and Insider Participation



The Compensation Committee of the Company's board of directors is composed of three non-executive directors, namely Mr. Agadi, Ms. Kennedy and Baroness Rebuck. As discussed above in Item 10—Directors, Executive Officers and Corporate Governance—Corporate Governance, all of these directors have been determined to be independent. No Compensation Committee member has served as an officer or employee of the Company in an executive capacity. No executive officer of the Company serves on the board of directors or compensation committee of another company that has an executive officer serving on the Company's board of directors or its Compensation Committee.

Information responding to Item 407(e)(5) of SEC Regulation S-K is omitted because the Company is a "foreign private issuer" as defined in SEC Rule 3b-4 under the 1934 Act.

## ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Five Percent Shareholders

Table of Contents

The following table sets forth information with respect to each person or group known to the Company, by virtue of such person's or group's filings pursuant to Section 13(d) or Section 13(g) under the Exchange Act, to beneficially more than 5% of the Company's outstanding class A or class B common shares.

Belmond Holdings 1 Ltd. ("Belmond Holdings") listed in the table below is a wholly-owned subsidiary of the Company and owns all of the outstanding class B common shares. Under Bermuda law, the shares owned by Belmond Holdings are outstanding and may be voted. See Risks of Investing in Class A Common Shares in Item 1A—Risk Factors regarding a judgment of the Bermuda Supreme Court in 2010 upholding this class B common share ownership and voting structure. Each class B common share is convertible at any time into one class A common share and, therefore, the shares listed as owned by Belmond Holdings in the table below represent class B common shares and the class A common shares into which those shares are convertible. Belmond Holdings does not currently own any class A common shares. See also Part 1—Business—Introduction—Recent Developments—Sale to LVMH.

Voting and dispositive power with respect to the class B common shares owned by Belmond Holdings is exercised by its board of directors, who are Messrs. Agadi and Hochberg and one other person who is not a director or officer of the Company. Each of these persons may be deemed to share beneficial ownership of the class B common shares owned by Belmond Holdings for which he or she serves as a director, as well as the class A common shares into which those class B common shares are convertible, but is not shown in the table below.

Name and Address	No. of Class A and Class B Common Shares	Percent of Class A Common Shares(1)	Percent of Class B Common Shares
Belmond Holdings 1 Ltd. (1) 22 Victoria Street Hamilton HM 12, Bermuda	18,044,478	—	100.0 %
BlackRock Inc. (2) 40 East 52nd Street New York, New York 10022	12,913,471 (8)	12.5 %	—
LVMH Moët Hennessey Louis Vuitton SE (3) 22, Avenue Montaigne 75008 Paris, France	12,646,787 (8)	12.3 %	—
The Vanguard Group (4) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	8,793,592 (8)	8.5 %	—
Dimensional Fund Advisors LP (5) Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	8,131,656 (8)	7.9 %	—
The Goldman Sachs Group, Inc. (6) 200 West Street New York, New York 10282	5,423,209 (8)	5.3 %	—

Giuseppe Statuto (7)  
Via Borgonuovo  
Milan (MI) 20121  
Italy

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5,290,022 (8) 5.1 %

The percentage of class A common shares shown is based on 103,081,652 class A common shares outstanding on (1)February 15, 2019, plus, in the case of Belmond Holdings, the class A common shares issuable upon conversion of the class B common shares beneficially owned by Belmond Holdings.

## Table of Contents

The information with respect to BlackRock Inc. ("BlackRock") relates only to class A common shares and is derived from its Schedule 13G/A report filed with the SEC on January 24, 2019. The report states that (a) BlackRock is a (2) parent holding company, (b) certain subsidiaries of BlackRock may hold class A common shares, and (c) BlackRock has sole voting power with respect to 12,707,235 class A common shares and sole dispositive power with respect to 12,913,471 class A common shares.

The information with respect to LVMH Moët Hennessy Louis Vuitton SE (LVMH) relates only to class A (3) common shares and is derived from its Schedule 13D report filed with the SEC on December 27, 2018. The report states that LVMH, through its wholly-owned subsidiary, has the sole power to vote, or to direct the vote of, and the sole power to dispose of, or to direct the disposition of, 12,646,787 class A common shares.

The information with respect to The Vanguard Group ("Vanguard") relates only to class A common shares and is derived from its Schedule 13G/A report filed with the SEC on February 11, 2019. The report states that (4) (a) Vanguard is a registered investment adviser and is reporting on behalf of itself and two wholly-owned subsidiaries, and (b) Vanguard has sole voting power with respect to 100,032 class A common shares, sole dispositive power with respect to 8,687,188 class A common shares, shared voting power with respect to 14,269 class A common shares and shared dispositive power with respect to 106,404 class A common shares.

The information with respect to Dimensional Fund Advisors LP ("Dimensional") relates only to class A common shares and is derived from its Schedule 13G/A report filed with the SEC on February 8, 2019. The report states that (5) (a) Dimensional is a registered investment adviser, (b) Dimensional furnishes investment advice to four registered investment companies and serves as an investment manager to certain other commingled group trusts and separate accounts, in certain cases with subsidiaries of Dimensional as advisers or sub-advisers, and (c) Dimensional has sole dispositive power with respect to 8,131,65 class A common shares and sole voting power with respect to 7,886,943 class A common shares.

The information with respect to The Goldman Sachs Group, Inc. ("Goldman") relates only to class A common (6) shares and is derived from its Schedule 13G report filed with the SEC on February 5, 2019. The report states that (a) Goldman is a parent holding company and (b) that it shares voting and dispositive power with respect to 5,423,209 class A common shares with Goldman Sachs & Co. LLC.

The information with respect to Giuseppe Statuto ("Mr. Statuto") relates only to class A common shares and is derived from its Schedule 13G filed with the SEC on November 29, 2018. The report states that (a) SLHRE FIN 1 S.R.L., a private company with limited liability incorporated under the laws of Italy ("FIN1") beneficially owns (7) 3,703,557 class A common shares, (b) SLHRE FIN 2 S.R. L., a private company with limited liability incorporated under the laws of Italy ("FIN2") beneficially owns 1,586,465 class A common shares, and (c) Mr. Statuto beneficially owns 5,290,022 class A common shares by virtue of Mr. Statuto being the sole shareholder and sole director of FIN1 and FIN2 and sharing the power to vote, or direct the vote of, and to dispose, or direct the disposition of, all class A common shares owned by FIN1 and FIN2.

(8) Class A common shares only.

## Directors and Executive Officers

The following table sets forth information as of February 1, 2019 with respect to the beneficial ownership of the Company's class A common shares by its directors, current executive officers, and directors and current executive officers of the Company as a group.



Table of Contents

Name (1)	No. of Class A Shares (2)
Harsha V. Agadi (3)(4)	135,685
Ingrid Eras-Magdalena (5)	126,734
Roland A. Hernandez (6)	345,490
Mitchell C. Hochberg (3)(7)	238,716
Ruth A. Kennedy (8)	85,435
Richard M. Levine (9)	487,263
Ian Livingston (10)	49,408
Martin O'Grady (11)	454,843
Demetra Pinsent (12)	23,894
Gail Rebuck (13)	62,355
Daniel Ruff (14)	30,300
H. Roeland Vos (15)	420,951
All current directors and current executive officers as a group (12 persons)	2,461,074

(1) Unless otherwise stated, the business address for each of the persons listed is c/o Belmond Ltd., 22 Victoria Street, Hamilton HM 12, Bermuda.

(2) Each person has sole voting and dispositive power with respect to his or her shares, except Mr. Agadi shares voting and dispositive power with respect to all of his shares.

(3) Messrs. Agadi and Hochberg may be deemed to share beneficial ownerships of the class B common shares held by Belmond Holdings because they are also directors of Belmond Holdings.

(4) Includes 12,616 restricted common shares that vest June 24, 2019, but which have voting rights.

(5) Includes 49,608 class A common shares subject to vested stock options, and 32,800 unvested restricted common shares that have voting rights.

(6) Includes 186,321 unvested restricted common shares that vest June 24, 2019, but which have voting rights.

(7) Includes 12,616 restricted common shares that vest June 24, 2019, but which have voting rights.

(8) Includes 50,107 restricted common shares that vest upon retirement from the Belmond board of directors, but which have voting rights.

(9) Includes 258,300 class A common shares subject to vested stock options, and 54,300 unvested restricted common shares that have voting rights.

(10) Includes 12,616 restricted common shares that vest June 24, 2019, but which have voting rights.

(11) Includes 294,350 class A common shares subject to vested stock options, and 44,700 unvested restricted common shares that have voting rights.

(12) Includes 12,616 restricted common shares that vest June 24, 2019, but which have voting rights.

(13) Includes 51,185 restricted common shares that vest upon retirement from the Belmond board of directors, but which have voting rights.

(14) Includes 30,300 unvested restricted common shares that have voting rights.

(15) Includes 151,551 class A common shares subject to vested stock options, and 94,350 unvested restricted common shares that have voting rights.

The board of directors of the Company adopted revised Corporate Governance Guidelines concerning class A common share ownership by non-executive directors and executive management in 2014. The guidelines require all directors to own class A common shares in an amount equivalent to three times the annual board equity compensation amount (\$450,000 of class A common shares, being three times the current annual board equity compensation of \$150,000 of class A common shares) within five years of July 1, 2014 (or such later date of the director's election to

the board), with the shares owned to be valued at the higher of cost or current market value. Executive management is required to own an amount of class A common shares equal to a multiple of such executive's annual base salary within five years of March 1, 2015 (or such later date as such officer is appointed) as follows: the Chief Executive Officer is required to own class A common shares equal to five times such executive's annual base salary; Executive Vice Presidents are required to own class A common shares equal to three times such person's annual base salary; and selected Senior Vice Presidents and Vice Presidents are required to own class A common shares equal to one times such person's annual base salary.

Table of Contents

## Voting Control of the Company; Changes in Control

The following table sets forth the voting power of each person and group known to the Company to be the beneficial owners of more than 5% of the outstanding class A or class B common shares of the Company and of all directors and executive officers as a group. Those directors of the Company who are deemed to be beneficial owners of class B common shares solely because they are directors of Belmond Holdings are not listed individually but are included in the group.

Name	No. of Class A Shares	No. of Class B Shares	Combined Voting Power
Belmond Holdings	—	18,044,478	63.7 %
Blackrock Inc.	12,913,471	—	4.6 %
LVMH Moët Hennessey Louis Vuitton SE	12,646,787	—	4.5 %
The Vanguard Group	8,793,592	—	3.1 %
Dimensional Fund Advisors	8,131,656	—	2.9 %
The Goldman Sachs Group, LLC	5,423,209	—	1.9 %
Giuseppe Statuto	5,290,022	—	—
All current directors and current executive officers as a group (12 persons)	2,461,074	18,044,478	64.6 %

In general the holders of class A and class B common shares of the Company vote together as a single class on most matters submitted to general meetings of shareholders, with holders of class B common shares having one vote per share and holders of class A common shares having one-tenth of a vote per share. Each class B common share is convertible at any time into one class A common share. In all other material respects, the class A and class B common shares are identical and are treated as a single class of common shares.

Belmond Holdings and the Company's directors and executive officers hold in total approximately 17% in number of the currently outstanding class A and class B common shares having approximately 64.6% of the combined voting power of the outstanding common shares of the Company for most matters that may be submitted to a vote of the Company's shareholders. Other shareholders, accordingly, hold approximately 83% in number of the outstanding common shares having approximately 35.4% of combined voting power in the Company.

Under Bermuda law, the class B common shares owned by Belmond Holdings (representing approximately 63.7% of the combined voting power of the Company's class A and class B common shares) are outstanding and may be voted by that subsidiary. The investment by Belmond Holdings in class B common shares and the manner in which Belmond Holdings votes those shares are determined by the board of directors of Belmond Holdings (two members of whom are also directors of the Company) consistent with the exercise by those directors of their fiduciary duties to Belmond Holdings. Belmond Holdings, therefore, has the ability to elect at least a majority of the members of the board of directors of the Company and to control the outcome of most matters submitted to a vote of the Company's shareholders. Under the Support Agreement, Belmond Holdings has agreed not to sell or transfer any of its class B common shares and to vote against any competing acquisition proposals to the sale to LVMH.

On February 14, 2019, Belmond Holdings and the Company's other shareholders voted to approve the transactions contemplated by the Merger Agreement, including the merger. Subject to the satisfaction of the remaining conditions in the Merger Agreement, the completion of the Merger will result in the Company ceasing to be publicly traded and becoming an indirect subsidiary of LVMH.



With respect to a number of strategic matters which would tend to change control of the Company, its memorandum of association and bye-laws contain provisions that could make it more difficult for a third party to acquire Belmond without the consent of the Company's board of directors. These provisions include supermajority shareholder voting provisions for the removal of directors and for "business combination" transactions with beneficial owners of shares carrying 15% or more of the votes which may be cast at any general meeting of shareholders, and limitations on the voting rights of such 15% beneficial owners. Also, the Company's board of directors has the right under Bermuda law to issue preferred shares without shareholder approval, which could be done to dilute the share ownership of a potential hostile acquirer. Under the Company's shareholder rights plan, the Company has issued rights to purchase series A junior participating preferred shares, one of which is attached to each class A and class B common share of the Company. These rights, if triggered, may have anti-takeover effects and may therefore deter potential acquirers. See Note

Table of Contents

19(b) to the Financial Statements (Item 8 above). The rights are not currently exercisable, and will not become exercisable in connection with the consummation of the transactions contemplated by the Merger Agreement or the Support Agreement. If the merger is completed, the rights will expire and cease to be exercisable as of, but conditioned on, the merger.

## Equity Compensation Plan Information

The following table summarizes information as of December 31, 2018 about the Company's outstanding equity compensation awards and class A common shares reserved for future issuance under the Company's equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	3,819,084 (2)	\$11.57(3)	3,917,005 (4)

(1) The Company's equity compensation plans have been approved by security holders.

(2) This number includes Nil class A common shares subject to outstanding stock option awards under the Company's 2004 Stock Option Plan, 2,260,062 class A common shares subject to outstanding stock option awards under the 2009 Share Award and Incentive Plan, 735,440 class A common shares subject to deferred share awards (with and without performance criteria) under the 2009 Plan, and 823,582 restricted class A common shares which are deemed beneficially owned by the participant but which have not vested and therefore remain subject to restrictions on transfer.

(3) Because there is no exercise price associated with the class A common deferred and restricted shares, these share awards are not included in the weighted-average price calculation presented in column (b).

(4) This number includes 121,500 class A common shares originally reserved for issuance under the Company's 2000 Stock Option Plan, 800,262 class A common shares originally reserved for issuance under the 2004 Stock Option Plan, and 183,765 class A common shares originally reserved for issuance under the 2007 Performance Share Plan.

## ITEM 13. Certain Relationships and Related Transactions

## Related Person Transactions

Belmond had granted to James Sherwood, the founder, Chairman Emeritus and a former director of the Company, pursuant to a certain Amended and Restated Rights Agreement Regarding Hotel Cipriani Interests dated February 8, 2005, a right of first refusal to purchase the Belmond Hotel Cipriani in Venice, Italy in the event Belmond proposed to sell it. The purchase price would be the offered sale price in the case of a cash sale or the fair market value of the hotel, as determined by an independent valuer, in the case of a non-cash sale. Mr. Sherwood had also been granted an option to purchase the hotel, pursuant to an Amended and Restated Right of First Refusal and Option Agreement Regarding Indirectly Held Hotel Cipriani Interests dated February 8, 2005, at fair market value if a change in control of the Company occurred. Mr. Sherwood could have elected to pay 80% of the purchase price if he exercised his right of first refusal, or 100% of the purchase price if he exercised his purchase option, by a non-recourse promissory note secured by the hotel payable in ten equal annual installments with interest at LIBOR. This right of first refusal and purchase option were not assignable and were to expire one year after Mr. Sherwood's death.

On July 6, 2018, the Company entered into an agreement with Mr. Sherwood that terminated the right of first refusal and purchase option. In exchange, Mr. Sherwood will receive an aggregate amount of \$3,000,000, payable over a period of two years in three installments. Moreover, in the event of a sale of the hotel or a change in control of the Company within a ten year period following execution of the agreement, the Company would pay to Mr. Sherwood \$10,000,000 if such an event happens within a year of the agreement, stepping down by \$1,000,000 a year to zero after ten years. Mr. Sherwood would also receive a payment of \$25,000,000, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the hotel within one year after the execution of the agreement.

For a discussion of related party transactions as defined in U.S. GAAP, see Note 26 to the Financial Statements (Item 8 above).

Table of Contents

The Audit Committee has the responsibility for the review and approval or ratification of transactions involving the Company and any of its affiliates, including but not limited to officers, directors, and/or their immediate family members, as well as investors who beneficially own more than five percent of any class of voting equity securities of the Company and/or their immediate family members (if the investor is a natural person).

## ITEM 14. Principal Accounting Fees and Services

The following table presents the fees of Deloitte LLP, Belmond's independent registered public accounting firm, for audit and permitted non-audit services in 2018 and 2017:

	2018	2017
Year ended December 31, \$	\$	\$
Audit fees	2,802,000	2,657,000
Audit-related fees	156,000	132,000
Tax fees	279,000	360,000
All other fees	147,000	19,000
Total	3,384,000	3,168,000

Audit services consist of work performed in connection with the audits of Belmond's financial statements and its internal control over financial reporting for each fiscal year and in the review of financial statements included in quarterly reports during the year, as well as work normally done by the independent auditor in connection with statutory and regulatory filings, such as statutory audits of non-U.S. subsidiaries, and consents and comfort letters for SEC registration statements.

Audit-related services consist of assurance and related services that are normally performed by the independent auditor and that are reasonably related to the audit or review of financial statements but are not reported under audit services, including due diligence reviews in potential transactions, specific procedures for lenders agreed in loan documents, and audits of benefit plans.

Tax services consist of all services performed by the independent auditor's tax personnel, except those services specifically related to the audit or review of financial statements, and include fees in the areas of tax return preparation and compliance and tax planning and advice.

Other services consist of those services permitted to be provided by the independent auditor but not included in the other three categories.

The Audit Committee of the board of directors of the Company has established a policy to pre-approve all audit and permitted non-audit services provided by the independent auditor. Prior to engagement of the auditor for the next year's audit, management and the auditor submit to the Committee a description of the audit and permitted non-audit services expected to be provided during that year in each of four categories of services described above, together with a fee proposal for those services. Prior to the engagement of the independent auditor, the Audit Committee considers with management and the auditor and approves (or revises) both the description of audit and permitted non-audit services proposed and the budget for those services. If circumstances arise during the year when it becomes necessary to engage the independent auditor for additional services not contemplated in the original pre-approval, the Audit Committee at its regularly scheduled meetings requires separate pre-approval before engaging the independent auditor. To ensure prompt handling of unexpected matters, the Committee may delegate pre-approval authority to one or more of its members or the Chief Financial Officer for certain specified services not to exceed a threshold amount, with any pre-approval decisions to be reported to the Committee at its next scheduled meeting. For 2018 and 2017, all of the audit and permitted non-audit services described above were approved by the Audit Committee.



Table of Contents

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

	Page Number
1. Financial Statements	
Reports of independent registered public accounting firm	<u>69</u> <u>136</u>
Consolidated financial statements - years ended December 31, 2018, 2017 and 2016:	
Balance sheets (December 31, 2018 and 2017)	<u>70</u>
Statements of operations	<u>71</u>
Statements of comprehensive income	<u>73</u>
Statements of cash flows	<u>74</u>
Statements of total equity	<u>76</u>
Notes to financial statements	<u>77</u>
2. Financial Statement Schedule	
Schedule II — Valuation and qualifying accounts (years ended December 31, 2018, 2017 and 2016)	<u>157</u>
3. Exhibits	
Exhibit Index	<u>155</u>

Table of Contents

EXHIBIT INDEX

Exhibit No.	Incorporated by Reference to	Description
<u>2.1</u>	<u>Exhibit 2.1 to the Current Report on Form 8-K filed December 14, 2018</u>	<u>Agreement and Plan of Merger dated December 13, 2018 among Belmond Ltd., LVMH Moët Hennessy—Louis Vuitton SE, Palladio Overseas Holding Limited and Fenice Ltd.</u>
<u>3.1</u>	<u>Exhibit 3.1 to the Current Report on Form 8-K filed July 2, 2014</u>	<u>Memorandum of Association and Certificate of Incorporation of Belmond Ltd.</u>
<u>3.2</u>	<u>Exhibit 3.2 to the Current Report on Form 8-K filed June 21, 2007</u>	<u>Bye-Laws of Belmond Ltd.</u>
<u>3.3</u>	<u>Exhibit 1 to Amendment No. 1 to the Registration Statement on Form 8-A filed April 23, 2007</u>	<u>Rights Agreement dated June 1, 2000, and amended and restated April 12, 2007, between Orient-Express Hotels Ltd. and Computershare Trust Company N.A., as Rights Agent</u>
<u>3.4</u>	<u>Exhibit 4.2 to the Current Report on Form 8-K filed December 10, 2007</u>	<u>Amendment No. 1 dated December 10, 2007 to Amended and Restated Rights Agreement</u>
<u>3.5</u>	<u>Exhibit 4.3 to the Current Report on Form 8-K filed May 27, 2010</u>	<u>Amendment No. 2 dated May 27, 2010 to Amended and Restated Rights Agreement</u>
<u>3.6</u>	<u>Exhibit 4.1 to the Current Report on Form 8-K filed December 14, 2018</u>	<u>Amendment No. 3 dated December 13, 2018 to Amended and Restated Rights Agreement</u>
<u>4.1</u>	<u>Exhibit 10.1 to the Current Report on Form 8-K filed March 27, 2014</u>	<u>Credit Agreement dated March 21, 2014 among Orient-Express Hotels Ltd., Belmond Interfin Ltd., Barclays Bank PLC, JPMorgan Chase Bank, N.A., and Credit Agricole Corporate and Investment Bank</u>
<u>4.2</u>	<u>Exhibit 10.1 to the Current Report on Form 8-K filed June 8, 2015</u>	<u>First Amendment to Credit Agreement dated June 2, 2015 among Belmond Ltd., Belmond Interfin Ltd., Barclays Bank PLC, JPMorgan Chase Bank, N.A., and Credit Agricole Corporate and Investment Bank</u>
<u>4.3</u>	<u>Exhibit 10.1 to the Current Report on Form 8-K filed July 6, 2017</u>	<u>Amended and Restated Credit Agreement dated July 3, 2017, among Belmond Ltd., Belmond Interfin Ltd., Barclays Bank PLC, Credit Agricole Corporate and Investment Bank, HSBC Bank USA, National Association, Fifth Third Bank and JP Morgan Chase Bank, N.A.</u>
<u>10.1</u>	<u>Exhibit 10.2 to the Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Form 10-K")</u>	<u>Orient-Express Hotels Ltd. 2004 Stock Option Plan, as amended</u>
<u>10.2</u>	<u>Exhibit 10.3 to the Annual Report on Form 10-K for the year ended December 31, 2008</u>	<u>Orient-Express Hotels Ltd. 2007 Performance Share Plan, as amended</u>
<u>10.3</u>	<u>Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 2009</u>	<u>Orient-Express Hotels Ltd. 2007 Stock Appreciation Rights Plan, as amended</u>
<u>10.4</u>	<u>Exhibit 10.5 to the 2012 Form 10-K</u>	<u>Orient-Express Hotels Ltd. 2009 Share Award and Incentive Plan, as amended</u>
<u>10.5</u>	<u>Exhibit 10.3 to the Annual Report on Form 10-K for the year ended December 31, 2004 (the "2004 Form 10-K")</u>	<u>Amended and Restated Agreement Regarding Hotel Cipriani Interests dated February 8, 2005 between James B. Sherwood, Hotel Cipriani S.r.l. and Orient-Express Hotels Ltd.</u>

<u>10.6</u>	<u>Exhibit 10.4 to the 2004 Form 10-K</u>	<u>Amended and Restated Right of First Refusal and Option Agreement Regarding Indirectly Held Hotel Cipriani Interests dated February 8, 2005 between James B. Sherwood and Orient-Express Hotels Ltd.</u>
<u>10.7</u>	<u>Exhibit 10.1 to the Current Report on Form 8-K filed July 10, 2018</u>	<u>Transaction Agreement dated July 6, 2018 between Belmond Ltd. and James B. Sherwood</u>
<u>10.8</u>	<u>Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (the "September 30, 2015 Form 10-Q")</u>	<u>Employment Agreement between Belmond (UK) Limited and H. Roeland Vos dated September 20, 2015</u>
<u>10.9</u>	<u>Exhibit 10.3 to the September 30, 2015 Form 10-Q</u>	<u>Letter Agreement between Belmond (UK) Ltd and H. Roeland Vos dated September 20, 2015</u>
<u>10.10</u>		<u>Restated and Amended Employment Agreement between Belmond (UK) Limited and H. Roeland Vos dated October 11, 2018</u>
<u>10.11</u>	<u>Exhibit 10.11 to the 2012 Form 10-K</u>	<u>Form of Severance Agreement between Belmond Ltd. and certain of its officers, as amended</u>



Table of Contents

Exhibit No.	Incorporated by Reference to	Description
<u>10.12</u>		<u>Amendment to Severance Agreement between Belmond Ltd. and H. Roeland Vos dated October 11, 2018</u>
<u>10.13</u>		<u>Form of Amended Severance Agreement between Belmond Ltd. and certain of its officers, as amended October 2018</u>
<u>10.14</u>	<u>Exhibit 10.12 to the 2012 Form 10-K</u>	<u>Form of Indemnification Agreement between Belmond Ltd. and its non-executive directors and certain of its officers</u>
<u>10.15</u>	<u>Exhibit 10.1 to the Current Report on Form 8-K filed December 14, 2018</u>	<u>Support Agreement dated December 13, 2018 between LVMH Moët Hennessy - Louis Vuitton SE and Belmond Holdings 1 Ltd. Subsidiaries of Belmond Ltd.</u>
<u>21</u>		<u>Consent of Deloitte LLP</u>
<u>23</u>		<u>Rule 13a-14(a)/15d-14(a) Certifications</u>
<u>31</u>		<u>Section 1350 Certification</u>
<u>32</u>		<u>Judgment of Bermuda Supreme Court dated June 1, 2010 in D.E. Shaw Oculus Portfolios LLC et al. vs. Orient-Express Hotels Ltd. et al.</u>
<u>99.1</u>	<u>Exhibit 99.1 to the Current Report on Form 8-K dated June 1, 2010</u>	
101		Interactive data file

The Company hereby agrees to furnish to the Securities and Exchange Commission at its request copies of long-term debt instruments defining the rights of holders of outstanding long-term debt that are not required to be filed herewith.

Table of Contents

## BELMOND LTD. AND SUBSIDIARIES

## Schedule II—Valuation and Qualifying Accounts

Column A	Column B	Column C		Column D	Column E
	Balance at beginning of period	Additions Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Description	\$	\$	\$	\$	\$
Year ended December 31, 2018					
Allowance for doubtful accounts	544,000	69,000	(43,000 )	(31,000) <sup>(1)</sup>	539,000
Valuation allowance on deferred tax assets	49,337,000	5,547,000	(3,933,000 )	—	50,951,000
Year ended December 31, 2017					
Allowance for doubtful accounts	420,000	181,000	33,000	(90,000) <sup>(1)</sup>	544,000
Valuation allowance on deferred tax assets	70,241,000	2,215,000	(23,119,000) <sup>(3)</sup>	—	49,337,000
Year ended December 31, 2016					
Allowance for doubtful accounts	291,000	109,000	19,000	1,000 <sup>(1)</sup>	420,000
Valuation allowance on deferred tax assets	69,928,000	4,876,000	(4,563,000 )	—	70,241,000

<sup>(1)</sup> Bad debts written off, net of recoveries.

<sup>(2)</sup> Foreign currency translation adjustments.

<sup>(3)</sup> This amount was charged to income tax expense, but is fully offset by the income tax benefit generated when recording the corresponding deferred tax asset.

Table of Contents

ITEM 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 28, 2019

BELMOND LTD.

By: /s/ Martin O'Grady

Martin O'Grady

Executive Vice President, Chief Financial Officer

Table of Contents

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Dated: February 28, 2019

Name	Title
/s/ Harsha V. Agadi Harsha V. Agadi	Director
/s/ Roland A. Hernandez Roland A. Hernandez	Chairman and Director
/s/ Mitchell C. Hochberg Mitchell C. Hochberg	Director
/s/ Ruth A. Kennedy Ruth A. Kennedy	Director
/s/ Ian Livingston Ian Livingston	Director
/s/ Demetra Pinsent Demetra Pinsent	Director
/s/ Gail Rebuck Gail Rebuck	Director
/s/ H. Roeland Vos H. Roeland Vos	President, Chief Executive Officer and Director
/s/ Martin O'Grady Martin O'Grady	Executive Vice President, Chief Financial Officer (Chief Accounting Officer)