

Mandarin Oriental International Limited

Jardine House, 33-35 Reid Street
Hamilton HM EX, Bermuda



To: Business Editor

For immediate release

This announcement contains Inside Information.

REDEVELOPMENT OF THE EXCELSIOR, HONG KONG

9th October 2018 – Mandarin Oriental International Limited today announces that The Excelsior, Hong Kong will close on 31st March 2019 in order for Mandarin Oriental Hotel Group (the ‘Group’) to redevelop the site. The hotel is situated on a prime commercial waterfront site in the Causeway Bay district of Hong Kong where the Group has approval for the development of a mixed-use commercial building with a Gross Floor Area of some 63,500 sqm.

The decision to close the hotel, which opened in 1973, comes after having completed a detailed review of the long-term strategic options for the site, announced by the Group in June 2017. The decision reflects strong commercial property values in Hong Kong and the expected higher yield associated with a commercial building at a time when the hotel requires significant investment.

The wholly-owned Excelsior hotel is a material contributor to Group earnings and cash flows and houses the Group’s corporate office. Adjusting the Group’s reported results for 2016 and 2017, and the first half of 2018 to exclude the contribution of The Excelsior, and include an estimated incremental head office rent cost, generates the following pro forma results¹:

US\$m	2016 Reported (Audited)	2016 Pro Forma (Unaudited)	2017 Reported (Audited)	2017 Pro Forma (Unaudited)	H1 2018 Reported (Unaudited)	H1 2018 Pro Forma (Unaudited)
Revenue*	1,323.7	1,245.2	1,380.4	1,298.2	700.2	660.0
Underlying EBITDA	158.2	126.2	157.9	122.9	79.6	63.6
Underlying Profit	57.3	34.4	54.9	29.8	22.3	11.4
Net impact to cash		(19.3)		(21.6)		(15.1)

* Total revenue from owned & managed hotels

¹ The Pro Forma numbers presented have not been audited and are shown for illustrative purposes only.

- more -

Upon closure of the hotel, the Group will be required to recognise a one-time accounting valuation gain associated with reclassifying the asset as a commercial investment property on its balance sheet. Based on current assumptions and market information, the Group estimates that this reclassification of the asset to reflect its market value as a site for commercial redevelopment would lead to an accounting gain of some US\$2.9 billion (net of closure costs).

The redevelopment is expected to take up to six years to complete and cost some US\$650 million. The redevelopment will be funded through an appropriate mix of external debt and cash reserves. A decision on financing will be made in due course, with the majority of costs not expected to be incurred until 2023. The Excelsior site is mortgage free. Approximately US\$15 million of costs related to the redevelopment are estimated to be incurred in 2019, which the Group will fund from cash reserves. At 30th June 2018, the Group had net debt of US\$325 million, with gearing of 6% (measured as a percentage of net debt against adjusted shareholders' funds²).

While Group earnings will be lower during the redevelopment period due to lost earnings from The Excelsior, the Group's results will soon benefit from the re-opening of its hotels in London and Madrid which are currently under renovation. Once completed, the new building is expected to generate significantly higher, and more stable, cash flows with less ongoing capital expenditure compared to a renovated hotel. The redevelopment itself is not expected to adversely impact the recent level of dividends paid.

James Riley, Group Chief Executive of Mandarin Oriental Hotel Group, said "The Excelsior has always been an important and much-loved hotel in the Group's portfolio. We will ensure there are plenty of opportunities over the next few months for local and international guests to visit the property and celebrate 45 years of memories. The hotel has enjoyed a long and successful history, not least because of the extraordinary service provided by our colleagues on property through the years. The Group is committed to ensuring that all Excelsior colleagues are treated fairly, with many to be offered positions in other Mandarin Oriental properties."

² The Group's freehold and leasehold interests are carried in the consolidated balance sheet at amortised cost. The adjusted shareholders' funds for 30th June 2018 were adjusted to include the market value of the Group's freehold and leasehold interests appraised at 31st December 2017. The market value assumed for The Excelsior Hotel was that of a site for commercial redevelopment and not that for an operating hotel.

Mandarin Oriental currently operates 31 hotels and seven residences in 21 countries and territories. Mandarin Oriental International Limited is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. It is a member of the Jardine Matheson Group.

- end -

For further information, please contact:

Mandarin Oriental Hotel Group International Limited

Jill Kluge

(44) 20 7908 7831

Sally de Souza

(852) 2895 9167

Brunswick Group Limited

Karin Wong

(852) 3512 5077

Elizabeth Liang

(852) 3512 5058

Tom Burns

(44) 20 7396 5308

This and other Group announcements can be accessed through the internet at 'www.mandarinoriental.com'.