

21 February 2005

**MILLENNIUM & COPTHORNE HOTELS PLC**  
**RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2004**

Millennium & Copthorne Hotels plc today presents its results for the twelve months ended 31 December 2004. The Group owns, asset manages and/or operates 87 hotels located in the Americas, Europe, The Middle-East, Asia and Australasia.

***Group results***

- Group turnover up 4.6% to £547.1m (2003: £523.1m)
- Group operating profit before exceptional items up 37% to £85.9m (2003: £62.5m)
- Gross hotel operating margin increased 1.5 percentage points to 33.6% (2003: 32.1%)
- Pre-tax profit before exceptional items to £55.0m (2003: £26.4m)
- Pre-tax profit after exceptional items to £94.8m (2003: £18.7m)
- Earnings per share 24.5p (2003: 3.9 p)
- Total dividend of 12.50p per share (2003: 6.25p)

***Highlights***

- New York Plaza sale, a £376m deal, the largest single hotel asset sale in New York. Our 50% share after transaction costs, a profit before tax on a historic cost basis of £69m or a net profit before tax of £52m after revaluation reserves
- Particularly strong performances from New York and London
- Continued recovery in Regional US following focused management attention - RevPAR up 16% in Q4
- Continued signs of a solid recovery in Asia with rate improvements in Q4
- Establishment of strong team focused on Millennium brand and development
- Dedicated management team appointed to run Copthorne UK

**Commenting today, Mr Kwek Leng Beng, Chairman said:**

“2004 was a pivotal year for the Group. We started the year facing the trading uncertainties caused by numerous external events. We have finished with a significantly higher hotel operating performance and a substantial profit from asset disposals.

“The Group has been able to complete two strategic disposals at a substantial premium to book value which have had a positive financial impact on the Group. Meanwhile, the US region has staged a strong turnaround supported by the Millennium Hilton, which is now fully operational and making good profit contributions.



# MILLENNIUM & COPTHORNE HOTELS PLC RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2004

## CHAIRMAN'S STATEMENT

### GROUP RESULTS

We are pleased to announce that 2004 was a year of continued recovery for the Group with RevPAR growth across all regions and an ongoing improvement in profitability. Whilst this was most prominent in the second quarter, primarily due to the weak comparators in 2003, the other quarters have all seen sustained growth year on year. We saw particularly strong performances from New York and London, with ongoing improvement in regional US following focussed management attention. We continue to see signs of a solid recovery in Asia with rate improvements coming through in the final quarter.

Group turnover for the year was up 4.6% to £547.1m (2003: £523.1m). Pre-exceptional Group operating profit increased 37.4% to £85.9m (2003: £62.5m) and our pre-exceptional profit before tax increased to £55.0m (2003: £26.4m). Post exceptional profit before tax was £94.8m (2003: £18.7m).

The final quarter of the year finished well with RevPAR growth up in all regions against the strongest comparable quarter of 2003. Occupancies were strong and we achieved rate growth in all our regions. 83% of the resultant £4.1m revenue increase was converted to Group operating profit reflecting both the impact of improved rates and our continued management emphasis on controlling costs.

|  | 3 months<br>to 31 Dec 2004 | 3 months<br>to 31 Dec 2003 | 12 months<br>to 31 Dec 2004 | 12 months<br>to 31 Dec 2003 |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
|  | £m                         | £m                         | £m                          | £m                          |
| Group turnover (Note 1)                | 149.6                      | 145.5                      | 547.1                       | 523.1                       |
| Pre-exceptional Group operating profit | 28.1                       | 25.0                       | 85.9                        | 62.5                        |
| Pre-exceptional profit before tax      | 21.6                       | 19.0                       | 55.0                        | 26.4                        |
| Exceptional items (Note 2)             | 39.3                       | (0.6)                      | 39.8                        | (7.7)                       |
| Post-exceptional profit before tax     | 60.9                       | 18.4                       | 94.8                        | 18.7                        |

#### Note 1

3 months to 31 December 2003 in constant currency £139.9m  
12 months to 31 December 2003 in constant currency £495.5m

#### Note 2

Includes £55.0m of profit on property disposals and an impairment charge of £15.2m

2004 was a successful year for reaping the real estate benefits from our hotel investments and for realising profit from our non-core portfolio. The post-exceptional profit number includes £55.0m made up of the following:

- *The Plaza, New York*

In August, we announced the sale of The Plaza, New York in which we had a 50% joint interest. We completed the sale in October for a sale price of US\$675m (£376m), which is considered to be a record price for a New York hotel transaction. This represented a 46% premium to the hotel's net book value of US\$462m which itself included a US\$61m revaluation surplus. After transaction expenses but before tax, our share of the profit was US\$92.8m or £51.8m. From a historical cost perspective, our share of the profit on disposal would be US\$123.3m (£68.9m).

- *Birkenhead Point Shopping Centre and Marina Facility, Australia*  
In October we announced the sale of Birkenhead Point Shopping Centre and Marina Facility in Australia, which was held by a 61.3% owned subsidiary. The sale was completed on 30 November giving a pre-tax profit on disposal of £2.7m and a historical cost profit of £15.3m, as the carrying value contained a £12.6m revaluation surplus
- *Staff accommodation block, London*  
In January we completed the sale of a staff accommodation block in London, resulting in a pre-tax profit of £0.5m.

These disposals have collectively realised cash proceeds of £136 million and has been the significant contributing factor to bringing the Group's net debt from £681 million to £479 million and gearing to be reduced to 37% from 53%.

In addition to property disposals, we continue to explore ways to create value through alternative uses for assets.

## **DIVIDEND**

The Board proposes to maintain the ongoing dividend per share for 2004 at the same level as for 2003 (6.25p) and, in addition, to recommend a special dividend of 6.25p per share in recognition of the exceptional profits achieved in 2004. Thus the total dividend for 2004 will be at the same level as for 2002. The Group will again be offering shareholders the option of a scrip dividend.

## **THE BOARD**

Following changes at the executive board level, management arrangements were put in place with the appointment of Tony Potter and Wong Hong Ren as the Joint Interim Chief Executives. Tony Potter and Wong Hong Ren were charged with providing continuity to the Group, reviewing the Group's assets and operations and establishing forward programmes. Under my leadership and direction, the substance of these tasks were successfully completed by the year end. Tony Potter has become Group Chief Executive at 1 January 2005 and Wong Hong Ren has reverted to his former role as Executive Director.

## **REVIEW OF ASSETS AND OPERATIONS**

We conducted an appraisal of the Group's assets and operations last year.

The Group's strategy of being an owner and operator of hotel assets remains unchanged. We believe that, particularly in a rising market, this continues to be right for a Group of our scale and size and with our specific property and asset management skills.

Going forward, our focus is to develop our existing Millennium and Copthorne brands, and to drive improved returns through operational excellence. As an outcome of our review, we have decided to establish a separate team to manage the Copthorne brand in the UK. The focus will be on increasing the profitability of the existing hotels and building on the brand's strong position in the UK through new management contracts and franchising.

## **PROSPECTS**

The recent asset disposals and improvement in the Group's hotel trading performance clearly demonstrate the success of our business strategy of being both an asset owner and operator. With our portfolio of quality assets in key locations, we remain confident that we are well positioned to make further progress in the improving trading environment.

**KWEK LENG BENG**

**CHAIRMAN**

21 February 2005

## **OPERATING REVIEW**

### **GROUP PERFORMANCE**

The first half of 2004 showed a significant improvement over 2003 and the second half was one of steady growth. Business has been returning to all regions and as a result our turnover for the year was £547.1m (2003: £523.1m). Pre-exceptional Group operating profit was £85.9m (2003: £62.5m). Occupancy for the Group was 71.8% (2003: 65.1%) and the average room rate was £60.59 (2003: £61.60) resulting in a RevPAR up 8.5% at £43.50 (2003: £40.10). The Group GOP margin was 33.6% (2003: 32.1%).

In order to assist the understanding of our key operating statistics we are presenting statistics in constant currency by restating 2003 figures at 2004 exchange rates. On this basis 2003 revenue was £495.5m, which represents a £51.6m revenue improvement in 2004. On this same basis the re-stated pre-exceptional Group operating profit before was £60.2m in 2003.

With constant rates of exchange, the average room rate in 2003 was £58.31, and the resultant RevPAR was £37.96. With a 2004 RevPAR of £43.50, this is a 15% year on year improvement.

### **REGIONAL PERFORMANCE**

#### **UNITED STATES**

##### **New York**

Occupancy for the region was 84.0% (2003: 82.6%), reflecting our more aggressive rate approach. As a result, the average room rate was £108.77 (2003: £94.61) and the resultant RevPAR was £91.37 (2003: £78.15).

The RevPAR improvement reflects our aggressive rate strategy in New York. As previously reported, the Millennium Broadway encountered strong competition in the conference market which presented a challenge throughout the year. We took the opportunity of low business levels at the end of the year to renovate the Hudson Theatre Conference Facility and have received positive feedback and sales enquiries, which are expected to turn into increased business levels in 2005. Our booking pace for the lucrative final three quarters in New York already reflects this initiative.

The Millennium UN Plaza had a strong year and after a flat January and February, RevPAR growth over 2003 was experienced every month. A similar pattern is anticipated in 2005.

The Millennium Hilton re-opened in May 2003. Its performance has been impressive and it continues to capture an increasing share of the market. In the final quarter of 2004, which is the first quarter where comparisons might be regarded as meaningful, RevPAR has increased by 23%.

The Group continues to pursue its claim against the insurance company. We remain confident that the claim will be resolved in our favour.

## **Regional US**

The occupancy for the region improved to 61.2% (2003: 57.0%). The average room rate was £52.91 (2003: £52.03) and the resultant RevPAR was £32.38 (2003: £29.66).

As outlined at our interim results, the first half of 2004 saw a decline in operating performance year on year in this region of £0.5m. The second half has seen profit of £4.7m compared to a second half profit of £1.6m in 2003 which represents a £3.1m improvement. Management focus on this region is continuing and beginning to show a positive effect and US domestic air travel volumes are now reported to be back to 2000 levels. This is assisting in driving occupancy throughout the region. 2005 has had an encouraging start.

Overall the performance of the region's hotels was encouraging, with continued growth across the region. Occupancy and RevPAR have increased in all but three properties and two thirds of the regional portfolio have increased average rate. Only one Millennium property failed to increase RevPAR over 2003. One of the strongest performers this year has been the Millennium Biltmore Hotel, Los Angeles. This property started to improve towards the end of 2003 and this growth has been maintained in 2004 with a US\$1.5m improvement in operating profit. This reflects improving market conditions and also the benefits of focused management attention.

In the year the Group repossessed the La Quinta Inn at Lakeside, Florida due to loan repayment default. This property had been sold by way of a loan note as part of the disposal programme following the Regal acquisition. As this property has been held for re-sale the operating statistics have not been included in the results. A small profit of £0.1m has been included in the regional profit. It will be operated as a Best Western franchise and is expected to make a positive growth contribution in 2005 to the US region. It is our intention to hold this asset in the short term due to the uplift in the Orlando market which presents a two to three year profit opportunity.

## **EUROPE**

### **London**

The occupancy for the region was 83.5% (2003: 80.9%). The average room rate was £79.79 (2003: £73.85) and the resultant RevPAR was £66.62 (2003: £59.74).

The London hotel market has seen a strong improvement in business in 2004. In total our properties have experienced RevPAR growth of 11.5% over 2003, ranging between 8.5% and 13.8%. This growth has been experienced across all our major market sectors. Food & Beverage revenues have also shown solid growth in 2004 with total revenues up 12% on 2003.

Particular emphasis was placed on growing rate at the Millennium Knightsbridge, and this was successfully achieved as this hotel has shown the largest rate growth of all our hotels in London.

The Copthorne Tara in Kensington has recovered all the targeted aircrew business lost in the first half of 2003 and has sold an additional 21,000 rooms in this sector this year. Signed contracts are in place which form an appropriate base of business for 2005 and beyond.

### **Rest of Europe**

The occupancy for the region was 72.8% (2003: 69.8%). The average room rate was £66.67 (2003: £66.41) and the resultant RevPAR was £48.54 (2003: £46.35).

This region includes both Regional UK and Continental Europe. Both regions showed increases in occupancy. The average rate on the Continent showed a small decline but not to the extent of the overall markets.

The three strongest performances in Regional UK were all in the South East, reflecting both the increased business levels being seen in the London area, and a focus on increasing average rates. Despite overall RevPAR improvement in Regional UK, three properties (Cardiff, Merry Hill and Newcastle) experienced minor decreases in RevPAR, reflecting the fact that the recovery has not yet reached all parts of the UK. Newcastle experienced significant new competition in the city and we are pleased to note the Q4 year on year RevPAR growth has continued into 2005.

We are particularly pleased with the overall performance of our four hotels in France and Germany. Despite the widely reported difficult trading conditions all four properties increased occupancy and RevPAR, although average rate fell at two properties, namely Stuttgart and Charles de Gaulle.

Oversupply continues at Charles de Gaulle airport, and the hotel adopted an aggressive approach to increasing volume in order to increase market share. Trading at Hannover remains dependant on the various trade fare cycles, and the IAA trade fare was a major contributor this year to the improved average rate. The opening of the new musical "Mama Mia" has helped to improve food and beverage trading at the Millennium Stuttgart in the latter part of 2004. The operating loss in our German hotels was £2.3m (2003: £4.5m).

## **ASIA**

The occupancy for the region was 73.2% (2003: 56.5%). The average room rate was £46.76 (2003: £47.71) and the resultant RevPAR for the year was £34.23 (2003: £26.96).

2004 has been a very strong year in comparison to 2003. A major part of the improvement in RevPAR is as a result of the effect of SARS in the early to mid part of 2003 and is occupancy driven. Every hotel in the region has experienced double digit growth in occupancy over 2003, even properties in those countries which were not directly impacted by SARS. The full year improvement is not just a result of the depressed 2003 business levels though. It should be noted that for every month in the second half of 2004, RevPAR has exceeded that of 2002.

As previously reported, rate pressure was an issue across the region in the early parts of this year as a result of large volume rises and a time lag in stabilising rates. The final quarter has seen overall rate growth each month and management are focused on further rate improvement in 2005.

The Millennium Hilton Seoul has increased occupancy every month although there was a reduction in average rate for the year. This was a result of market mix. All market sectors except airline increased their average rate, but the majority of the increased volume was in those sectors which had a lower average rate, therefore diluting the overall rate performance.

## **AUSTRALASIA**

The occupancy for the region was 71.5% (2003: 68.7%). The average room rate was £38.77 (2003: £38.05) and the resultant RevPAR was £27.72 (2003: £26.14).

We remain pleased with the performance of our New Zealand properties with RevPAR increasing by a further 6.0% over 2003. We operate three brands within New Zealand and occupancy and average rate have increased year on year in each of those with the exception of the Kingsgate chain, where average rate remained flat.

## **CURRENT TRADING**

Whilst the early part of the year is not a significant trading period in the context of overall Group performance, we are encouraged by the early signs. In the period to 14 February 2005 the Group RevPAR increased by 7.9% compared to the corresponding period in 2004.

## **REVIEW OF FINANCE**

### **RESULTS**

The total Group turnover for the year was £603.3m (2003: £583.2m) including £56.2m as a share of the turnover of joint ventures (2003: £60.1m). The total Group operating profit before exceptional items was £85.9m (2003: £62.5m). The Group share of operating profits of joint ventures and associates was £8.0m (2003: £7.0m) to give a total pre exceptional operating profit of £93.9m (2003: £69.5m).

### **PROPERTY**

The Group has made a net profit on the disposal of fixed assets of £55.0m. This primarily comprises £51.8m relating to the sale of its joint venture interest in The Plaza in New York. Of the other £3.2m, £2.7m relates to the disposal in November of the Group's investment property in Sydney (Birkenhead Point Shopping Centre and Marina) and the remaining £0.5m relates to the sale of staff accommodation.

Both the Plaza and Birkenhead contained £17.1m and £12.6m revaluation surpluses as at 31 December 2003. The historic profits from each of these disposals are therefore £68.9m and £15.3m respectively.

The Group has a policy of revaluing approximately one third of its owned hotel portfolio each year. In the year there were 19 hotels revalued as part of this normal revaluation cycle. In addition the Group undertakes impairment reviews as required by FRS 11 – Impairment of Fixed Assets and Goodwill.

The result of the annual revaluations and impairment reviews has resulted in some property carrying values being increased and others falling. The net position is a surplus of £13.8m. The carrying values of certain fixed assets and fixed assets held within investments in joint ventures has therefore increased by £29.0m based on external valuations performed on behalf of the Group. In some instances we have limited the surplus recognised to an amount below that indicated in the external valuation. Where the carrying values were reduced, this was on properties where carrying values are now below historic cost and therefore an impairment charge of £15.2m has been incurred this year.

The majority of the writedown is in relation to St. Louis and is from declining earnings due to decreased convention business. In addition, the Millennium Harvest House Hotel, Boulder has been affected by the steady rise in the number of hotels entering the market in the region. Expansion of the economic base in Boulder market has stimulated the construction of three full-service hotels in recent years. Certain other properties which were reviewed for impairment have not incurred a charge where their alternative use value is at or in excess of the current carrying values.

### **INTEREST**

Total interest receivable and similar income was £5.8m (2003: £3.1m) of which £0.5m (2003: £0.7m) was received from joint ventures.

Total interest payable was £44.7m (2003: £46.2m). The main reason for the reduction is the repayment of both Group and joint venture debt and favourable exchange rates. The Group net interest payable (excluding joint ventures) was £35.7m (2003: £38.3m).

Of the total interest payable, £3.2m (2003: £4.8m) was in respect of the Group's share of the interest payable by joint ventures. The lower joint venture interest cost reflects favourable foreign exchange rates and repayment in October of the US joint venture debt.

The Group interest payable for the year was £41.5m (2003: £41.4m), which was covered 2.9 times (2003: 2.4 times) by pre-exceptional EBITDA of £121.8m (2003: £101.0m).

## **TAXATION**

The tax charge is 7.6% of the current year profit before exceptional items (2003: 19.7%).

The total tax charge in respect of exceptional items recorded in the profit and loss account is £12.2m, comprising £11.8m current taxation and a deferred tax charge of £0.4m. In addition a further £6.1m of deferred taxation has been charged directly in the statement of recognised gains and losses, to match the revaluation gains recognised in prior years arising on disposed properties. The exceptional tax charge has been significantly reduced by the availability of tax losses, which have been used to reduce the taxable gain on the Plaza disposal. To the extent these tax losses had previously been recognised as assets, a non-cash deferred tax charge arises.

The future effective tax charge will be affected by the mix of profits generated from the different tax jurisdictions in which the Group operates and the extent to which the Group is in a position to use the tax losses which it has available. The 2005 tax rate will be reported under IAS 12: Income taxes. We anticipate the 2005 tax rate to be around 25%.

## **MINORITY INTERESTS**

During the year, the Group increased its shareholding in Kingsgate International Corporation Limited (Kingsgate). Kingsgate has property interests in Australia and was, prior to this transaction, listed on the New Zealand stock exchange.

The Group's shareholding in Kingsgate is held through its majority owned subsidiary CDL Hotels New Zealand Limited which has increased its interest in Kingsgate from 50.74% to 61.30%. The total purchase consideration of approximately NZ\$15.2m (£5.4m) represents NZ\$0.36 for each share acquired by the Group and was settled in the second half of the year.

The minority interests' share of Group profits arises due to the equity interest that external shareholders hold in subsidiaries and joint ventures of the Group. The equity minority interest charge was £8.8m (2003: £5.7m) which largely arises in Taiwan and Australasia. Of the £8.8m, £1.6m relates to the sale of Birkenhead. Minority interests at 31 December 2004 have increased by £3.2m as a result of the purchase of the Kingsgate minority interest, and by £4.8m as a result of exchange movements, offset by an increase of £7.6m due to the minority interests share of the revaluation of fixed assets and share of profits.

## **DIVIDENDS AND EARNINGS PER SHARE**

The directors are proposing a final dividend of 4.17p per share, plus a special dividend of 6.25p per share (2003: 2.05p). This means that the total dividend per share for the full year will be 12.50p (2003: 6.25p).

The total earnings per share were 24.5p (2003: 3.9p). Pre-exceptional earnings per share were 15.3p (2003: 5.4p).

## **MILLENIUM HILTON**

The Group is involved in insurance litigation with respect to the damage incurred as a result of the terrorist attacks on 11 September 2001. The primary focus of the parties' dispute has been the extent of business interruption insurance applicable to the closure of the Hotel. As at 31 December 2004 no final agreement has been reached. But we expect to make an announcement on settlement in due course.

## **CAPITAL EXPENDITURE AND DEPRECIATION**

The Millennium Hotel Sydney was closed on 31 March 2003 to allow for the commencement of the new Zenith project, which involves the redevelopment of one of the two hotel towers into residential accommodation. The Group continues to evaluate all viable financial options with regards to this investment. As at 31 December 2003, £2.0m had been spent on the conversion and in this year a further £3.8m has been spent. In the fourth quarter the carrying value held at 31 December 2003 of £11.6m together with the conversion expenditure incurred in the year of £5.8m has been transferred from fixed assets to development properties work in progress, within stocks.

The Group's capital expenditure in 2004, excluding the above project totalled £25.2m (2003: £29.1m), of which £0.4m (2003: £14.3m) related to the refurbishment of the Millenium Hilton New York.

The depreciation charge for the year was £35.9m (2003: £38.5m).

## **CASHFLOW AND GEARING**

Net cash inflow from operations was £122.8m (2003: £93.1m).

Gross debt has fallen by £152.1m to £573.7m (2003: £725.8m). There was an overall net increase in cash and short term deposits of £52.2m (2003: decrease £11.8m) which, together with foreign exchange translation differences, gives rise to a cash and short term deposit balance at 31 December 2004 of £94.8m (2003: £44.9m).

The Group gearing as at 31 December 2004 was 37% (2003: 53%).

**Consolidated profit and loss account for the year ended 31 December 2004**

|  | Pre<br>except-<br>ional<br>items | Except-<br>ional<br>items | Total          | Pre<br>except-<br>ional<br>items | Except-<br>ional<br>items | Total          |
|--|----------------------------------|---------------------------|----------------|----------------------------------|---------------------------|----------------|
|  | 2004<br>£m                       | 2004<br>£m                | 2004<br>£m     | 2003                             | 2003                      | 2003<br>£m     |
| <b>TURNOVER</b>                                      |                                  |                           |                |                                  |                           |                |
| Group and share of joint ventures                    | 603.3                            | -                         | 603.3          | 583.2                            | -                         | 583.2          |
| Less share of turnover of joint ventures             | <u>(56.2)</u>                    | -                         | <u>(56.2)</u>  | <u>(60.1)</u>                    | -                         | <u>(60.1)</u>  |
| <b>GROUP TURNOVER</b>                                | 547.1                            | -                         | 547.1          | 523.1                            | -                         | 523.1          |
| Cost of sales  | <u>(243.8)</u>                   | =                         | <u>(243.8)</u> | <u>(242.1)</u>                   | =                         | <u>(242.1)</u> |
| <b>GROSS PROFIT</b>                                  | 303.3                            | -                         | 303.3          | 281.0                            | -                         | 281.0          |
| Administrative expenses                              | (217.4)                          | (15.2)                    | (232.6)        | (218.5)                          | -                         | (218.5)        |
| Other operating expenses                             | =                                | =                         | =              | =                                | <u>(8.1)</u>              | <u>(8.1)</u>   |
| <b>GROUP OPERATING PROFIT</b>                        | 85.9                             | (15.2)                    | 70.7           | 62.5                             | (8.1)                     | 54.4           |
| Share of operating profits of joint ventures         | <u>8.0</u>                       | =                         | <u>8.0</u>     | <u>7.0</u>                       | =                         | <u>7.0</u>     |
| <b>TOTAL OPERATING PROFIT</b>                        | 93.9                             | (15.2)                    | 78.7           | 69.5                             | (8.1)                     | 61.4           |
| Profit on disposal of fixed assets                   | -                                | 3.2                       | 3.2            | -                                | 0.4                       | 0.4            |
| Profit on disposal of joint ventures                 | =                                | <u>51.8</u>               | <u>51.8</u>    | =                                | =                         | =              |
| <b>PROFIT BEFORE INTEREST AND TAXATION</b>           | 93.9                             | 39.8                      | 133.7          | 69.5                             | (7.7)                     | 61.8           |
| Interest receivable and similar income               |                                  |                           |                |                                  |                           |                |
| Group  | <u>5.8</u>                       | =                         | <u>5.8</u>     | <u>3.1</u>                       | =                         | <u>3.1</u>     |
|  | 5.8                              | -                         | 5.8            | 3.1                              | -                         | 3.1            |
| Interest payable and similar charges                 |                                  |                           |                |                                  |                           |                |
| Group  | (41.5)                           | -                         | (41.5)         | (41.4)                           | -                         | (41.4)         |
| Joint ventures                                       | (3.2)                            | -                         | (3.2)          | (4.8)                            | -                         | (4.8)          |
|  | <u>(44.7)</u>                    | =                         | <u>(44.7)</u>  | <u>(46.2)</u>                    | =                         | <u>(46.2)</u>  |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> | 55.0                             | 39.8                      | 94.8           | 26.4                             | (7.7)                     | 18.7           |
| Tax on profit on ordinary activities                 | <u>(4.2)</u>                     | <u>(12.2)</u>             | <u>(16.4)</u>  | <u>(5.2)</u>                     | <u>3.3</u>                | <u>(1.9)</u>   |
| <b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>  | 50.8                             | 27.6                      | 78.4           | 21.2                             | (4.4)                     | 16.8           |
| Minority interests - equity                          | <u>(7.2)</u>                     | <u>(1.6)</u>              | <u>(8.8)</u>   | <u>(5.7)</u>                     | =                         | <u>(5.7)</u>   |
| Profit for the financial year                        | 43.6                             | 26.0                      | 69.6           | 15.5                             | (4.4)                     | 11.1           |
| Dividends paid and proposed                          | <u>(17.8)</u>                    | <u>(17.9)</u>             | <u>(35.7)</u>  | <u>(17.7)</u>                    | =                         | <u>(17.7)</u>  |
| <b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b> | <u>25.8</u>                      | <u>8.1</u>                | <u>33.9</u>    | <u>(2.2)</u>                     | <u>(4.4)</u>              | <u>(6.6)</u>   |
| Earnings per share                                   | 15.3p                            | 9.2p                      | 24.5p          | 5.4p                             | (1.5p)                    | 3.9p           |
| Diluted earnings per share                           | 15.3p                            | 9.1p                      | 24.4p          | 5.4p                             | (1.5p)                    | 3.9p           |
| Dividends per share – ordinary / special             | 6.25p                            | 6.25p                     | 12.50p         | 6.25p                            | -                         | 6.25p          |

All turnover and group operating profit in the current and prior years derive from continuing operations.

**Consolidated statement of total recognised gains and losses for the year ended 31 December 2004**

|  | <b>2004</b>  | <b>2003</b>   |
|--|--------------|---------------|
|  | <b>£m</b>    | <b>£m</b>     |
| Profit for the financial year                                    | 69.6         | 11.1          |
| Loss on foreign currency translation                             | (48.4)       | (55.6)        |
| Surplus/(deficit) on revaluation of fixed assets                 |              |               |
| Group  | 10.4         | (2.4)         |
| Joint ventures   | 11.0         | -             |
| Taxation charge arising on disposal of revalued fixed assets     | <u>(6.1)</u> | =             |
| Total recognised gains and losses relating to the financial year | <u>36.5</u>  | <u>(46.9)</u> |

**Note of historical cost profits and losses for the year ended 31 December 2004**

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
|  | <b>£m</b>    | <b>£m</b>    |
| Reported profit on ordinary activities before taxation   | 94.8         | 18.7         |
| Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 0.5          | 0.5          |
| Difference between a historical cost profit on disposal and the actual profit on disposal for the year calculated on the revalued amount   | <u>29.7</u>  | =            |
| Historical cost profit on ordinary activities before taxation and minorities   | <u>125.0</u> | <u>19.2</u>  |
| Historical cost profit/(loss) for the year retained after taxation, minority interests and dividends                                       | <u>50.7</u>  | <u>(6.1)</u> |

The difference between historical cost profit on disposal and the actual profit on disposal for the year calculated on the revalued amount is shown before the deduction of the share of profits of minority interests of £7.3m. The group share of the profit on disposal after minority interest is £22.4m.

**Consolidated balance sheet as at 31 December 2004**

|  | <b>2004</b> | <b>2004</b>    | <b>2003</b>    |
|--|-------------|----------------|----------------|
|  | <b>£m</b>   | <b>£m</b>      | <b>£m</b>      |
| <b>FIXED ASSETS</b>  |             |                |                |
| Tangible assets  |             | 1,970.6        | 2,103.0        |
| Investments in joint ventures                                  |             |                |                |
| Share of gross assets  | 133.6       |                | 256.6          |
| Share of gross liabilities                                     | (73.1)      |                | (178.9)        |
| Share of minority interests                                    | (20.2)      |                | (19.6)         |
| Loans to joint ventures  | <u>22.3</u> |                | <u>32.7</u>    |
|  | 62.6        |                | 90.8           |
| Investment in associated undertakings                          | 0.4         |                | 0.5            |
| Other investments  | <u>0.8</u>  |                | <u>0.9</u>     |
|  |             | <u>63.8</u>    | <u>92.2</u>    |
|  |             | <u>2,034.4</u> | <u>2,195.2</u> |
| <b>CURRENT ASSETS</b>  |             |                |                |
| Stocks   |             | 36.0           | 16.0           |
| Debtors falling due within one year                            | 50.4        |                | 59.6           |
| Debtors falling due after more than one year                   | <u>2.0</u>  |                | <u>1.9</u>     |
|  |             | 52.4           | 61.5           |
| Cash and short term deposits                                   |             | <u>94.8</u>    | <u>44.9</u>    |
|  |             | 183.2          | 122.4          |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          |             | <u>(477.2)</u> | <u>(178.2)</u> |
| <b>NET CURRENT LIABILITIES</b>                                 |             | <u>(294.0)</u> | <u>(55.8)</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |             | 1,740.4        | 2,139.4        |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> |             | (258.6)        | (671.0)        |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  |             | <u>(54.3)</u>  | <u>(55.0)</u>  |
| <b>NET ASSETS</b>  |             | <u>1,427.5</u> | <u>1,413.4</u> |
| <b>CAPITAL AND RESERVES</b>                                    |             |                |                |
| Called up share capital  |             | 85.9           | 84.8           |
| Share premium account  |             | 846.1          | 845.8          |
| Revaluation reserve  |             | 287.9          | 296.4          |
| Profit and loss account  |             | <u>77.5</u>    | <u>59.5</u>    |
| <b>SHAREHOLDERS' FUNDS - EQUITY</b>                            |             | 1,297.4        | 1,286.5        |
| <b>MINORITY INTERESTS - EQUITY</b>                             |             | <u>130.1</u>   | <u>126.9</u>   |
| <b>TOTAL CAPITAL EMPLOYED</b>                                  |             | <u>1,427.5</u> | <u>1,413.4</u> |

**Consolidated cash flow statement for the year ended 31 December 2004**

|   | <b>2004</b>    | <b>2004</b>    | <b>2003</b>   | <b>2003</b>    |
|---|----------------|----------------|---------------|----------------|
|   | <b>£m</b>      | <b>£m</b>      | <b>£m</b>     | <b>£m</b>      |
| <b>CASH FLOW STATEMENT</b>  |                |                |               |                |
| Net cash inflow from operating activities   | 122.8          |                | 93.1          |                |
| Dividends received from joint ventures  | -              |                | 0.3           |                |
| Returns on investments and servicing of finance                                       | (37.7)         |                | (45.5)        |                |
| Taxation paid   | (10.5)         |                | (5.3)         |                |
| Net cash inflow/(outflow) for capital expenditure and financial investment            | 19.7           |                | (23.7)        |                |
| Net cash inflow/(outflow) for acquisitions and disposals                              | 90.8           |                | (28.0)        |                |
| Equity dividends paid   | <u>(3.0)</u>   |                | <u>(35.3)</u> |                |
| Cash inflow/(outflow) before use of liquid resources and financing                    |                | 182.1          |               | (44.4)         |
| Management of liquid resources  |                | (45.6)         |               | -              |
| <b>Financing</b>  |                |                |               |                |
| Net cash (outflow)/inflow from the issue of shares and purchase of minority interests | (4.5)          |                | 0.1           |                |
| (Decrease)/increase in debt and lease financing                                       | <u>(125.4)</u> |                | <u>32.5</u>   |                |
| Net cash (outflow)/inflow from financing  |                | <u>(129.9)</u> |               | <u>32.6</u>    |
| Increase/(decrease) in cash in the year   |                | <u>6.6</u>     |               | <u>(11.8)</u>  |
|   | <b>2004</b>    | <b>2004</b>    | <b>2003</b>   | <b>2003</b>    |
|   | <b>£m</b>      | <b>£m</b>      | <b>£m</b>     | <b>£m</b>      |
| <b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>                        |                |                |               |                |
| Increase/(decrease) in cash in the year   | 6.6            |                | (11.8)        |                |
| Cash outflow from increase in liquid funds  | 45.6           |                | -             |                |
| Cash outflow/(inflow) from the decrease/(increase) in debt and lease financing        | <u>125.4</u>   |                | <u>(32.5)</u> |                |
| Change in net debt resulting from cash flows  |                | 177.6          |               | (44.3)         |
| Acquisitions  |                | -              |               | (12.6)         |
| Deferred finance costs  |                | 0.6            |               | 0.4            |
| Translation differences and other non cash movements                                  |                | <u>23.8</u>    |               | <u>51.1</u>    |
| Movement in net debt in the year  |                | 202.0          |               | (5.4)          |
| Net debt at 1 January   |                | <u>(680.9)</u> |               | <u>(675.5)</u> |
| Net debt at 31 December   |                | <u>(478.9)</u> |               | <u>(680.9)</u> |

**Reconciliation of operating profit to net cash inflow from operating activities**

|   | <b>2004</b>  | 2003        |
|---|--------------|-------------|
|   | <b>£m</b>    | £m          |
| Group operating profit                    | <b>70.7</b>  | 54.4        |
| Depreciation                              | <b>35.9</b>  | 38.5        |
| Tangible fixed assets impairment          | <b>15.2</b>  | -           |
| Tangible fixed assets written off         | <b>0.2</b>   | 0.6         |
| Increase in stocks                        | <b>(9.0)</b> | (0.3)       |
| Decrease in debtors                       | <b>6.0</b>   | 10.1        |
| Increase/(decrease) in creditors          | <b>4.2</b>   | (9.7)       |
| Decrease in provisions                    | <b>(0.4)</b> | (0.5)       |
|   | <hr/>        | <hr/>       |
| Net cash inflow from operating activities | <b>122.8</b> | 93.1        |
|   | <hr/> <hr/>  | <hr/> <hr/> |

**ANALYSIS OF NET DEBT**

|                           | <b>As at 1</b> |                  | <b>Deferred</b> | <b>Translation</b> | <b>As at 31</b> |
|---------------------------|----------------|------------------|-----------------|--------------------|-----------------|
|                           | <b>January</b> | <b>Cash flow</b> | <b>finance</b>  | <b>and other</b>   | <b>December</b> |
|                           | <b>2004</b>    | <b>£m</b>        | <b>costs</b>    | <b>non cash</b>    | <b>2004</b>     |
|                           | <b>£m</b>      | <b>£m</b>        | <b>£m</b>       | <b>movements</b>   | <b>£m</b>       |
|                           |                |                  |                 | <b>£m</b>          |                 |
| Cash                      | 31.8           | 5.8              | -               | (0.9)              | <b>36.7</b>     |
| Overdrafts                | (1.5)          | 0.8              | -               | -                  | <b>(0.7)</b>    |
|                           |                | <hr/>            |                 |                    |                 |
|                           |                | 6.6              |                 |                    |                 |
| Short term deposits       | 13.1           | 45.6             | -               | (0.6)              | <b>58.1</b>     |
| Debt due after one year   | (491.2)        | 141.4            | -               | 211.0              | <b>(138.8)</b>  |
| Debt due within one year  | (20.7)         | 20.3             | -               | (191.3)            | <b>(191.7)</b>  |
| Finance leases            | (7.7)          | 1.6              | -               | 0.1                | <b>(6.0)</b>    |
| Bonds due after one year  | (162.1)        | (80.8)           | 0.6             | 137.3              | <b>(105.0)</b>  |
| Bonds due within one year | (42.6)         | 42.9             | -               | (131.8)            | <b>(131.5)</b>  |
|                           |                | <hr/>            |                 |                    |                 |
|                           |                | 125.4            |                 |                    |                 |
|                           |                |                  |                 |                    |                 |
| Total                     | <hr/>          | <hr/>            | <hr/>           | <hr/>              | <hr/>           |
|                           | (680.9)        | 177.6            | 0.6             | 23.8               | <b>(478.9)</b>  |
|                           |                |                  |                 |                    |                 |

**Analysis of cash flows for headings netted in the cash flow statement**

|   | <b>2004</b>    | 2003        |
|---|----------------|-------------|
|   | <b>£m</b>      | £m          |
| <b><u>Returns on investment and servicing of finance</u></b>                      |                |             |
| Interest received   | <b>3.3</b>     | 2.2         |
| Interest paid   | <b>(38.6)</b>  | (39.0)      |
| Payment of interest on deferred consideration                                     | -              | (4.8)       |
| Loan arrangement fees paid  | <b>(0.6)</b>   | (0.4)       |
| Interest element of finance lease rental payments                                 | <b>(0.2)</b>   | (0.9)       |
| Dividends paid to minorities  | <b>(1.6)</b>   | (2.6)       |
|   | <hr/>          | <hr/>       |
| <b>Net cash outflow for returns on investments and servicing of finance</b>       | <b>(37.7)</b>  | (45.5)      |
|   | <hr/> <hr/>    | <hr/> <hr/> |
| <b><u>Capital expenditure and financial investment</u></b>                        |                |             |
| Purchase of tangible fixed assets   | <b>(25.4)</b>  | (17.6)      |
| Millenium Hilton New York capital expenditure                                     | -              | (14.7)      |
| Proceeds from the sale of investments   | -              | 2.5         |
| Sale of other fixed assets  | <b>45.1</b>    | 6.1         |
|   | <hr/>          | <hr/>       |
| <b>Net cash inflow/(outflow) for capital expenditure and financial investment</b> | <b>19.7</b>    | (23.7)      |
|   | <hr/> <hr/>    | <hr/> <hr/> |
| <b><u>Acquisitions and disposals</u></b>  |                |             |
| Acquisition of subsidiary undertakings  | -              | (2.6)       |
| Payment of deferred consideration   | -              | (25.4)      |
| Proceeds from sale of joint ventures  | <b>90.8</b>    | -           |
|   | <hr/>          | <hr/>       |
| <b>Net cash inflow/(outflow) for acquisitions and disposals</b>                   | <b>90.8</b>    | (28.0)      |
|   | <hr/> <hr/>    | <hr/> <hr/> |
| <b><u>Management of liquid resources</u></b>                                      |                |             |
| Cash placed on short term deposit   | <b>(45.6)</b>  | -           |
|   | <hr/>          | <hr/>       |
| <b>Net cash outflow from management of liquid resources</b>                       | <b>(45.6)</b>  | -           |
|   | <hr/> <hr/>    | <hr/> <hr/> |
| <b><u>Financing</u></b>   |                |             |
| Issue of shares from the exercise of options                                      | <b>1.4</b>     | 0.1         |
| Purchase of shares from minority interests  | <b>(5.9)</b>   | -           |
|   | <hr/>          | <hr/>       |
|   | <b>(4.5)</b>   | 0.1         |
|   | <hr/>          | <hr/>       |
| Drawdown of third party loans   | <b>273.1</b>   | 304.7       |
| Repayment of third party loans  | <b>(396.9)</b> | (261.1)     |
| Capital element of finance lease rental repayment                                 | <b>(1.6)</b>   | (11.1)      |
|   | <hr/>          | <hr/>       |
|   | <b>(125.4)</b> | 32.5        |
|   | <hr/>          | <hr/>       |
| <b>Net cash (outflow)/inflow from financing</b>                                   | <b>(129.9)</b> | 32.6        |
|   | <hr/> <hr/>    | <hr/> <hr/> |

## Notes

### 1. SEGMENTAL INFORMATION

|   | New York      | Regional<br>US | London        | Rest<br>of Europe | Asia          | Australasia  | Group         |
|---|---------------|----------------|---------------|-------------------|---------------|--------------|---------------|
|   | 2004          | 2004           | 2004          | 2004              | 2004          | 2004         | 2004          |
|   | £m            | £m             | £m            | £m                | £m            | £m           | £m            |
| Turnover                                      |               |                |               |                   |               |              |               |
| Hotel   | 77.6          | 100.7          | 77.2          | 93.0              | 136.6         | 44.5         | 529.6         |
| Non-hotel                                     | =             | <u>2.5</u>     | =             | =                 | <u>1.4</u>    | <u>13.6</u>  | <u>17.5</u>   |
| Total   | <u>77.6</u>   | <u>103.2</u>   | <u>77.2</u>   | <u>93.0</u>       | <u>138.0</u>  | <u>58.1</u>  | <u>547.1</u>  |
| Hotel gross operating profit                  | 22.4          | 21.1           | 39.5          | 27.9              | 48.4          | 18.5         | 177.8         |
| Hotel fixed charges                           | <u>(12.2)</u> | <u>(17.0)</u>  | <u>(12.9)</u> | <u>(17.3)</u>     | <u>(21.2)</u> | <u>(8.6)</u> | <u>(89.2)</u> |
| Hotel operating profit                        | 10.2          | 4.1            | 26.6          | 10.6              | 27.2          | 9.9          | 88.6          |
| Non-hotel operating profit                    | =             | <u>0.6</u>     | =             | =                 | <u>0.8</u>    | <u>7.6</u>   | <u>9.0</u>    |
| Profit before central costs                   | 10.2          | 4.7            | 26.6          | 10.6              | 28.0          | 17.5         | 97.6          |
| Other operating expenses                      | -             | -              | -             | -                 | -             | -            | -             |
| Impairment                                    | -             | (15.2)         | -             | -                 | -             | -            | (15.2)        |
| Central costs                                 | -             | -              | -             | -                 | -             | -            | <u>(11.7)</u> |
| Group operating profit                        | -             | -              | -             | -                 | -             | -            | 70.7          |
| Share of operating profits of joint ventures  | 0.6           | -              | -             | -                 | 7.4           | -            | 8.0           |
| Profit on disposal of fixed assets            | 51.8          | -              | -             | -                 | 0.5           | 2.7          | 55.0          |
| Net interest payable                          | -             | -              | -             | -                 | -             | -            | <u>(38.9)</u> |
| Profit on ordinary activities before taxation | -             | -              | -             | -                 | -             | -            | <u>94.8</u>   |

Hotel fixed charges include property rent, taxes and insurance, depreciation and amortisation, operating lease rentals and management fees. There are no inter segment sales.

Turnover by origin is not significantly different from turnover by destination.

Turnover derives from two classes of business; hotel operations and non-hotel operations comprising property transactions.

|   | New York      | Regional<br>US | London        | Rest<br>of Europe | Asia          | Australasia  | Group         |
|---|---------------|----------------|---------------|-------------------|---------------|--------------|---------------|
|   | 2003          | 2003           | 2003          | 2003              | 2003          | 2003         | 2003          |
|   | £m            | £m             | £m            | £m                | £m            | £m           | £m            |
| Turnover                                      |               |                |               |                   |               |              |               |
| Hotel   | 68.9          | 104.3          | 69.4          | 89.4              | 126.5         | 42.6         | 501.1         |
| Non-hotel                                     | =             | <u>3.5</u>     | =             | =                 | <u>1.6</u>    | <u>16.9</u>  | <u>22.0</u>   |
| Total   | <u>68.9</u>   | <u>107.8</u>   | <u>69.4</u>   | <u>89.4</u>       | <u>128.1</u>  | <u>59.5</u>  | <u>523.1</u>  |
| Hotel gross operating profit                  | 17.8          | 21.0           | 34.3          | 25.0              | 45.3          | 17.4         | 160.8         |
| Hotel fixed charges                           | <u>(13.9)</u> | <u>(19.5)</u>  | <u>(11.9)</u> | <u>(18.7)</u>     | <u>(22.0)</u> | <u>(9.7)</u> | <u>(95.7)</u> |
| Hotel operating profit                        | 3.9           | 1.5            | 22.4          | 6.3               | 23.3          | 7.7          | 65.1          |
| Non-hotel operating profit                    | =             | <u>1.4</u>     | =             | =                 | <u>1.0</u>    | <u>7.0</u>   | <u>9.4</u>    |
| Profit before central costs                   | 3.9           | 2.9            | 22.4          | 6.3               | 24.3          | 14.7         | 74.5          |
| Other operating expenses                      | (8.1)         | -              | -             | -                 | -             | -            | (8.1)         |
| Impairment                                    | -             | -              | -             | -                 | -             | -            | =             |
| Central costs                                 | -             | -              | -             | -                 | -             | -            | <u>(12.0)</u> |
| Group operating profit                        | -             | -              | -             | -                 | -             | -            | 54.4          |
| Share of operating profits of joint ventures  | 3.1           | -              | -             | -                 | 3.9           | -            | 7.0           |
| Profit on disposal of fixed assets            | -             | -              | -             | -                 | -             | -            | 0.4           |
| Net interest payable                          | -             | -              | -             | -                 | -             | -            | <u>(43.1)</u> |
| Profit on ordinary activities before taxation | -             | -              | -             | -                 | -             | -            | <u>18.7</u>   |

For 2003 the New York hotel operating profit excludes pre-opening and legal fees with respect to the Millenium Hilton, these are disclosed in other operating expenses.

## 2. TAXATION

|  | <b>Pre-<br/>exceptional<br/>items<br/>2004<br/>£m</b> | <b>Exceptional<br/>items<br/>2004<br/>£m</b> | <b>Total<br/>2004<br/>£m</b> | <b>2003<br/>£m</b> |
|--|---|--|------------------------------|--------------------|
| The tax charge comprises:                                    |   |  |                              |                    |
| Current tax:   |   |  |                              |                    |
| UK Corporation tax   |   |  |                              |                    |
| UK Corporation tax on profits of the year at 30% (2003: 30%) | 2.2   | -  | 2.2                          | 6.2                |
| (Over)/under provision in respect of prior years             | <u>(2.6)</u>  | =  | <u>(2.6)</u>                 | <u>(3.9)</u>       |
|  | (0.4)   |  | (0.4)                        | 2.3                |
| Overseas taxation  |   |  |                              |                    |
| Current year charge  | 13.4  | 11.8   | 25.2                         | 3.3                |
| Over provision in respect of prior years                     | (0.5)   | -  | (0.5)                        | (2.8)              |
| Taxation attributable to profits of joint ventures           | <u>0.7</u>  | =  | <u>0.7</u>                   | <u>0.3</u>         |
| Total current tax  | <u>13.2</u>   | <u>11.8</u>                                  | <u>25.0</u>                  | <u>3.1</u>         |
| Deferred tax:  |   |  |                              |                    |
| Origination and reversal of timing differences:              |   |  |                              |                    |
| Current year   | (6.0)   | 10.4   | 4.4                          | 1.1                |
| Adjustments in respect of prior years                        | (2.3)   | -  | (2.3)                        | (2.9)              |
| Effect of decreased tax rate on opening liability            | (1.0)   | -  | (1.0)                        | -                  |
| Deferred taxation attributable to joint ventures             | 0.3   | (3.9)  | (3.6)                        | 0.6                |
| Less amounts recognised directly within reserves             | =   | <u>(6.1)</u>                                 | <u>(6.1)</u>                 | =                  |
| Total deferred tax   | <u>(9.0)</u>  | <u>0.4</u>                                   | <u>(8.6)</u>                 | <u>(1.2)</u>       |
| Tax on profit on ordinary activities                         | <u>4.2</u>  | <u>12.2</u>                                  | <u>16.4</u>                  | <u>1.9</u>         |

## 3. DIVIDENDS – EQUITY

The final dividend of 4.17p per share will be paid on 20 May 2005 to shareholders on the register as at close of business on 29 March 2005. A special dividend of 6.25p per share will also be paid in respect of exceptional items. The Group will again be offering shareholders the option of a scrip dividend.

## 4. EARNINGS PER SHARE

Total earnings per share are based on earnings of £69.6m (2003: £11.1m) and a weighted average number of shares in issue during the year of 284.5m (2003: 282.7m).

Total fully diluted earnings per share are based on a weighted average number of shares in issue during the year, as adjusted for the exercise of options, of 285.2m (2003: 283.1m).

## 5. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2004 or 31 December 2003 but is derived from those accounts. Statutory accounts for 2003 have been delivered to the Registrar of Companies and those for 2004 will be delivered following the Company's Annual General Meeting.

The auditors have reported on those accounts. Their reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

## 6. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 5 May 2005.

## 7. KEY OPERATING STATISTICS

|                                   | 2004   | 2003<br>Constant<br>currency | 2003<br>Reported<br>currency |
|-----------------------------------|--------|------------------------------|------------------------------|
| Occupancy (%)                     |        |                              |                              |
| New York                          | 84.0   | 82.6                         | 82.6                         |
| Regional US                       | 61.2   | 57.0                         | 57.0                         |
| USA                               | 66.9   | 62.7                         | 62.7                         |
| London                            | 83.5   | 80.9                         | 80.9                         |
| Rest of Europe                    | 72.8   | 69.8                         | 69.8                         |
| Europe                            | 77.6   | 74.7                         | 74.7                         |
| Asia                              | 73.2   | 56.5                         | 56.5                         |
| Australasia                       | 71.5   | 68.7                         | 68.7                         |
| Group                             | 71.8   | 65.1                         | 65.1                         |
| Average Room Rate (£)             |        |                              |                              |
| New York                          | 108.77 | 94.61                        | 105.42                       |
| Regional US                       | 52.91  | 52.03                        | 57.97                        |
| USA                               | 70.43  | 64.57                        | 71.94                        |
| London                            | 79.79  | 73.85                        | 73.85                        |
| Rest of Europe                    | 66.67  | 66.41                        | 66.74                        |
| Europe                            | 72.93  | 69.98                        | 70.16                        |
| Asia                              | 46.76  | 47.71                        | 51.98                        |
| Australasia                       | 38.77  | 38.05                        | 37.14                        |
| Group                             | 60.59  | 58.31                        | 61.60                        |
| RevPAR (£)                        |        |                              |                              |
| New York                          | 91.37  | 78.15                        | 87.08                        |
| Regional US                       | 32.38  | 29.66                        | 33.04                        |
| USA                               | 47.12  | 40.49                        | 45.11                        |
| London                            | 66.62  | 59.74                        | 59.74                        |
| Rest of Europe                    | 48.54  | 46.35                        | 46.58                        |
| Europe                            | 56.59  | 52.28                        | 52.41                        |
| Asia                              | 34.23  | 26.96                        | 29.37                        |
| Australasia                       | 27.72  | 26.14                        | 25.52                        |
| Group                             | 43.50  | 37.96                        | 40.10                        |
| Gross Operating Profit Margin (%) |        |                              |                              |
| New York                          | 28.9   | 25.8                         | 25.8                         |
| Regional US                       | 21.0   | 20.1                         | 20.1                         |
| USA                               | 24.4   | 22.4                         | 22.4                         |
| London                            | 51.2   | 49.4                         | 49.4                         |
| Rest of Europe                    | 30.0   | 28.0                         | 28.0                         |
| Europe                            | 39.5   | 37.3                         | 37.3                         |
| Asia                              | 35.4   | 35.8                         | 35.8                         |
| Australasia                       | 41.6   | 40.8                         | 40.8                         |
| Group                             | 33.6   | 32.4                         | 32.1                         |

**Consolidated profit and loss account for the quarter ended 31 December 2004**

|  | Pre<br>exceptional<br>items<br>3 months<br>ended<br>31<br>December<br>2004<br>£m | Except-<br>ional<br>items<br>3 months<br>ended<br>31<br>December<br>2004<br>£m | Total<br>3 months<br>ended<br>31<br>December<br>2004<br>£m | Pre<br>except-<br>ional<br>items<br>3 months<br>ended<br>31<br>December<br>2003<br>£m | Except-<br>ional<br>items<br>3 months<br>ended<br>31<br>December<br>2003<br>£m | Total<br>3 months<br>ended<br>31<br>December<br>2003<br>£m |
|--|--|--|--|---|--|--|
| <b>TURNOVER</b>                                      |  |  |  |   |  |  |
| Group and share of joint ventures                    | 161.6  | -  | 161.6  | 165.3   | -  | 165.3  |
| Less share of turnover of joint ventures             | <u>(12.0)</u>  | =  | <u>(12.0)</u>  | <u>(19.8)</u>   | =  | <u>(19.8)</u>  |
| <b>GROUP TURNOVER</b>                                | 149.6  | -  | 149.6  | 145.5   | -  | 145.5  |
| Cost of sales  | <u>(66.5)</u>  | =  | <u>(66.5)</u>  | <u>(64.7)</u>   | =  | <u>(64.7)</u>  |
| <b>GROSS PROFIT</b>                                  | 83.1   | -  | 83.1   | 80.8  | -  | 80.8   |
| Administrative expenses                              | (55.0)   | (15.2)   | (70.2)   | (55.8)  | -  | (55.8)   |
| Other operating expenses                             | =  | =  | =  | =   | <u>(0.6)</u>   | <u>(0.6)</u>   |
| <b>GROUP OPERATING PROFIT</b>                        | 28.1   | (15.2)   | 12.9   | 25.0  | (0.6)  | 24.4   |
| Share of operating profits of joint ventures         | <u>2.6</u>   | =  | <u>2.6</u>   | <u>5.2</u>  | =  | <u>5.2</u>   |
| <b>TOTAL OPERATING PROFIT</b>                        | 30.7   | (15.2)   | 15.5   | 30.2  | (0.6)  | 29.6   |
| Profit on disposal of fixed assets                   | -  | 2.7  | 2.7  | -   | -  | -  |
| Profit on disposal of joint ventures                 | =  | <u>51.8</u>  | <u>51.8</u>  | =   | =  | =  |
| <b>PROFIT BEFORE INTEREST AND TAXATION</b>           | 30.7   | 39.3   | 70.0   | 30.2  | (0.6)  | 29.6   |
| Interest receivable and similar income               |  |  |  |   |  |  |
| Group  | <u>4.0</u>   | =  | <u>4.0</u>   | <u>0.5</u>  | =  | <u>0.5</u>   |
|  | 4.0  | -  | 4.0  | 0.5   | -  | 0.5  |
| Interest payable and similar charges                 |  |  |  |   |  |  |
| Group  | (12.7)   | -  | (12.7)   | (10.7)  | -  | (10.7)   |
| Joint ventures                                       | (0.4)  | -  | (0.4)  | (1.0)   | -  | (1.0)  |
|  | <u>(13.1)</u>  | =  | <u>(13.1)</u>  | <u>(11.7)</u>   | =  | <u>(11.7)</u>  |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> | 21.6   | 39.3   | 60.9   | 19.0  | (0.6)  | 18.4   |
| Tax on profit on ordinary activities                 | <u>1.5</u>   | <u>(12.2)</u>  | <u>(10.7)</u>  | <u>(2.0)</u>  | <u>0.2</u>   | <u>(1.8)</u>   |
| <b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>  | 23.1   | 27.1   | 50.2   | 17.0  | (0.4)  | 16.6   |
| Minority interests - equity                          | <u>(0.8)</u>   | <u>(1.6)</u>   | <u>(2.4)</u>   | <u>(2.1)</u>  | =  | <u>(2.1)</u>   |
| Profit for the financial period                      | 22.3   | 25.5   | 47.8   | 14.9  | (0.4)  | 14.5   |
| Dividends paid and proposed                          | <u>(11.9)</u>  | <u>(17.9)</u>  | <u>(29.8)</u>  | <u>(5.8)</u>  | =  | <u>(5.8)</u>   |
| <b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>      | <u>10.4</u>  | <u>7.6</u>   | <u>18.0</u>  | <u>9.1</u>  | <u>(0.4)</u>   | <u>8.7</u>   |

## KEY OPERATING STATISTICS

|                                   | <b>3 months<br/>ended<br/>31<br/>December<br/>2004</b> | <b>3 months<br/>ended<br/>31<br/>December<br/>2003<br/>Constant<br/>currency</b> |
|-----------------------------------|--|--|
| Occupancy (%)                     |  |  |
| New York                          | 85.8   | 84.3   |
| Regional US                       | 61.0   | 53.8   |
| USA                               | 67.2   | 61.4   |
| London                            | 86.8   | 84.4   |
| Rest of Europe                    | 73.2   | 70.2   |
| Europe                            | 79.2   | 76.5   |
| Asia                              | 74.0   | 68.3   |
| Australasia                       | 73.5   | 76.4   |
| Group                             | 72.9   | 69.1   |
| Average Room Rate (£)             |  |  |
| New York                          | 125.36   | 108.33   |
| Regional US                       | 51.14  | 50.08  |
| USA                               | 74.79  | 70.03  |
| London                            | 82.08  | 78.33  |
| Rest of Europe                    | 68.16  | 67.15  |
| Europe                            | 74.92  | 72.62  |
| Asia                              | 48.63  | 48.02  |
| Australasia                       | 41.56  | 39.77  |
| Group                             | 63.40  | 60.55  |
| RevPAR (£)                        |  |  |
| New York                          | 107.56   | 91.32  |
| Regional US                       | 31.20  | 26.94  |
| USA                               | 50.26  | 43.00  |
| London                            | 71.25  | 66.11  |
| Rest of Europe                    | 49.89  | 47.14  |
| Europe                            | 59.34  | 55.55  |
| Asia                              | 35.99  | 32.80  |
| Australasia                       | 30.55  | 30.38  |
| Group                             | 46.22  | 41.84  |
| Gross Operating Profit Margin (%) |  |  |
| New York                          | 35.2   | 18.9   |
| Regional US                       | 20.5   | 16.6   |
| USA                               | 27.4   | 17.7   |
| London                            | 52.1   | 51.5   |
| Rest of Europe                    | 31.3   | 28.3   |
| Europe                            | 40.7   | 38.8   |
| Asia                              | 36.3   | 48.2   |
| Australasia                       | 43.4   | 46.4   |
| Group                             | 35.4   | 35.2   |