

MILLENNIUM & COPTHORNE HOTELS PLC
TRADING UPDATE AND FIRST QUARTER RESULTS TO 31 MARCH 2006

Millennium & Copthorne Hotels plc today provides a trading update and first quarter results to 31 March 2006. The Group has a portfolio of 91 hotels located in the Americas, Europe, Middle-East, Asia and New Zealand.

Financial Highlights

- Revenue up 16% to £149.9m (2005: £129.5m)
- Hotel operating profit up 15% to £18.1m (2005: £15.8m)
- Group operating profit before other operating income up 28% to £17.2m (2005: £13.4m)
 - Other operating income of £nil (2005: £12.8m)
- Profit before tax excluding other operating income up 64% to £11.5m (2005: £7.0m)
- Profit before tax £11.5m (2005: £19.8m). This decline reflects the one-off £12.8m insurance receipt in Q1 2005
- Adjusted earnings per share up 90% to 1.9p (2005: 1.0p)¹
- Earnings per share 1.9p (2005: 3.4p)

Overview of Group Performance

- Group RevPAR up by 13.7%
- Ongoing focus on operational improvement and commitment to achieving sustained operational excellence in our hotels
- Continued success in implementing rate growth
- Particularly strong performances in the US and Singapore
- Management contract secured for an all executive suite Millennium hotel in Abu Dhabi
- Non hotel performance benefited from the initial sale of apartments in Sydney leading to a £1.1m increase in operating profit for our non-hotel operations in Australasia. This underlines the Group's ability to drive shareholder value through the redevelopment of assets for alternative use

Commenting today, Mr Kwek Leng Beng, Chairman said:

"We have had a successful first quarter with the positive trends of 2005 continuing into the current year. This has been achieved by both owning and operating an attractive portfolio of hotels with good exposure to improving markets, particularly in New York and Singapore. As a result, we remain confident of making further progress and the outlook for the year as a whole remains in line with our expectations at the year end."

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There will be a conference call hosted by Tony Potter, Group Chief Executive, at 8.30am (UK time) on 20 April 2006. For dial-in details, please contact Helen Lutman on 0207 831 3113.

¹ Adjusted to exclude other operating income (net of tax)

OVERVIEW

Hotel trading during the first quarter of 2006 saw increases in revenue and RevPAR. Group RevPAR for the quarter was £46.47, an 8.4% year on year improvement at constant rates of exchange. Group occupancy for the period increased to 72.1% compared to 70.2% in the equivalent period in 2005 and average rates increased by 5.5% to £64.45 compared to £61.07 at constant rates of exchange.

Revenues and profits from our non-hotel divisions have increased primarily through the sale of the first tranche of apartments in our redevelopment of the remaining tower of our former hotel in Sydney. This tranche represents 12 of the 97 apartments in the development.

For the three months to 31 March, revenue increased to £149.9m (2005: £129.5m). Group operating profit before other operating income increased to £17.2m (2005: £13.4m).

The positive one-off effect of the £12.8m in other operating income in the first quarter of last year relates to the proceeds received from the September 11 2001 insurance claim. Adjusting for this insurance receipt in 2005, profit before tax was £11.5m (2005 adjusted: £7.0m).

SUMMARY OF PERFORMANCE

Although it is still early in the Group's financial year, the Group's hotel performance during the first quarter of 2006 reflects further progress with particularly encouraging performances in the US and Singapore. All figures are based on constant currency exchange rates.

In New York, the market remains buoyant, and this has assisted us to continue to focus on our strategy of improving rates. The average rate increased by £16.24 to £127.99 (2005: £111.75). This, combined with improved occupancy of 3.2%, led to an increase in RevPAR to £103.42 which is a £16.70, or 19.3%, improvement over 2005 (2005: £86.72).

Regional US, on a like for like basis, saw RevPAR increase 10.0% to £30.80 (2005: £28.00). This improvement highlights our focus on driving occupancy levels alongside the continued recovery of the region. On a reported basis, revenue growth in Regional US was driven by occupancy, up 2.6 percentage points, with an increase in rate of £0.49 to £48.62. The resultant RevPAR was up 5.5% to £29.80 (2005: £28.25).

In London, the average rate during the first quarter was £75.90, an increase of £0.11 on the prior year (2005: £75.79). Occupancy, however, was 0.5 percentage points lower compared with 2005 with RevPAR declining by £0.29 to £62.24. This performance reflects the impact of the 143-room upgrade and refurbishment at the Millennium Gloucester during the first quarter, as disclosed in February 2006. These rooms returned into service in mid-April.

RevPAR continued to improve within the Rest of Europe, driven by increased occupancy and average rate growth across Regional UK and Continental Europe. As a result, RevPAR increased by 4.4% to £49.66.

Asia continued to perform well. RevPAR increased by £5.49 or 14.7% to £42.94. This was driven by both occupancy, which increased by 3.2 percentage points to 72.9%, and by average rate, which increased by £5.17 to £58.90 (2005: £53.73). Singapore delivered the strongest growth with a RevPAR increase of 43.9%. This performance was the result of a buoyant market in February due to a major aerospace fair as well as the Group's ability to increase average rates following the completion of the refurbishment programme at the Orchard hotel. The Group's remaining hotels across Asia have continued to experience positive rate growth.

RevPAR in New Zealand remained flat. A reduction in occupancy levels of 1.4 percentage points was offset by a £0.78 increase in average rates resulting in RevPAR of £35.91 (2005 £35.89).

Our non-hotel operations in Australasia saw an increase of £1.1m in operating profit. This was primarily due to the sale of the first tranche of apartments in our former hotel in Sydney, Australia, representing 12 of the 97 apartments in the development.

We are pleased to announce that we have signed a new management contract to operate and manage an all executive suite Millennium hotel in Abu Dhabi. This exciting development will comprise 198 furnished apartments with business and sports facilities. It is expected to be complete in two years time.

CURRENT TRADING

We have had a successful first quarter with the positive trends of 2005 continuing into the current year. This has been achieved by both owning and operating an attractive portfolio of hotels with good exposure to improving markets, particularly in New York and Singapore. As a result, we remain confident of making further progress and the outlook for the year as a whole remains in line with our expectations at the year end.

Kwek Leng Beng
Chairman
20 April 2006

Consolidated income statement (unaudited)
 For the three months ended 31 March 2006

	Notes	3 months ended 31 March 2006 £m	3 months ended 31 March 2005 £m	Year ended 31 December 2005 £m
Revenue	2	149.9	129.5	595.2
Cost of sales		(69.8)	(60.5)	(259.1)
Gross profit		80.1	69.0	336.1
Administrative expenses		(62.9)	(55.6)	(243.0)
Other operating income	3	-	12.8	28.3
Group operating profit		17.2	26.2	121.4
Analysed between:				
Group operating profit before other operating income and impairment		17.2	13.4	99.6
Other operating income	3	-	12.8	28.3
Impairment		-	-	(6.5)
Share of profit of joint ventures and associates		1.2	0.8	3.5
Analysed between:				
Operating profit		2.5	1.7	8.5
Interest		(0.4)	(0.2)	(1.3)
Taxation		(0.3)	(0.2)	(1.4)
Minority interests		(0.6)	(0.5)	(2.3)
Finance income		1.2	0.6	6.7
Finance expense		(8.1)	(7.8)	(35.8)
Profit before tax		11.5	19.8	95.8
Income tax expense	4	(3.4)	(8.0)	(26.0)
Profit for the period		8.1	11.8	69.8
Attributable to:				
Equity holders of the parent		5.6	9.8	61.1
Minority interests		2.5	2.0	8.7
		8.1	11.8	69.8
Basic earnings per share (pence)	5	1.9	3.4	21.3
Diluted earnings per share (pence)	5	1.9	3.4	21.2

The financial results above all derive from continuing activities.

Consolidated statement of recognised income and expense (unaudited)

For the three months ended 31 March 2006

	3 months ended 31 March 2006 £m	3 months ended 31 March 2005 £m	Year ended 31 December 2005 £m
Foreign exchange translation differences	(2.8)	20.6	80.7
Cash flow hedges: amounts recycled to income statement	-	1.6	4.0
Actuarial gains and losses arising in respect of defined benefit pension schemes	-	(0.8)	(2.4)
Taxation credit arising on defined benefit pension plans	-	0.2	0.6
Income and expense recognised directly in equity	(2.8)	21.6	82.9
Profit for the period	8.1	11.8	69.8
Total recognised income and expense for the period	5.3	33.4	152.7
First-time adoption of IAS 39 and IAS 32:			
Hedging reserve	-	(4.0)	(4.0)
Retained earnings	-	(1.4)	(1.4)
	-	(5.4)	(5.4)
Total	5.3	28.0	147.3

Attributable to:

Equity holders of the parent	6.6	28.7	138.3
Minority interests	(1.3)	4.7	14.4
Total recognised income and expense for the period	5.3	33.4	152.7

Statement of changes to total equity (unaudited)

For the three months ended 31 March 2006

	3 months ended 31 March 2006 £m	3 months ended 31 March 2005 £m	Year ended 31 December 2005 £m
Total recognised income and expense for the period	5.3	33.4	152.7
First time adoption of IAS 39	-	(5.4)	(5.4)
Dividends paid	-	-	(35.7)
Issue of shares in lieu of dividends	-	-	4.2
Dividends paid to minority interests	(1.5)	-	(2.3)
Transfer from share of associates	-	0.6	0.6
Share options exercised	0.5	1.0	2.1
Equity settled transactions	0.1	0.1	0.6
Net increase in total equity	4.4	29.7	116.8
Opening total equity	1,377.8	1,261.0	1,261.0
Closing total equity	1,382.2	1,290.7	1,377.8

Consolidated balance sheet (unaudited)
As at 31 March 2006

	As at 31 March 2006 £m	As at 31 March 2005 £m	As at 31 December 2005 £m
Non-current assets			
Property, plant and equipment	1,916.9	1,844.4	1,943.4
Lease premium prepayment	84.2	80.4	80.8
Investment properties	48.3	44.6	48.0
Investments in joint ventures and associates	29.9	24.8	29.0
Loans due from joint ventures and associates	26.1	22.9	26.3
Other financial assets	1.1	1.3	2.2
	2,106.5	2,018.4	2,129.7
Current assets			
Assets held for sale	-	10.1	-
Inventories	4.5	3.9	4.4
Development properties	62.4	37.2	48.5
Lease premium prepayment	1.6	1.0	1.0
Trade and other receivables	56.9	63.0	53.2
Other financial assets	8.7	4.2	5.9
Cash and cash equivalents	111.6	86.8	104.6
	245.7	206.2	217.6
Total assets	2,352.2	2,224.6	2,347.3
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	(538.0)	(247.9)	(530.1)
Employee benefits	(15.8)	(14.0)	(16.0)
Provisions	(1.6)	(1.9)	(1.6)
Other non-current liabilities	(6.9)	(6.6)	(6.8)
Deferred tax liabilities	(240.9)	(213.8)	(239.9)
	(803.2)	(484.2)	(794.4)
Current liabilities			
Interest-bearing loans, bonds and borrowings	(43.7)	(320.1)	(54.9)
Trade and other payables	(104.3)	(97.8)	(100.3)
Provisions	(0.4)	(0.4)	(0.4)
Income taxes payable	(18.4)	(28.2)	(19.5)
Other financial liabilities – hedging derivatives	-	(3.2)	-
	(166.8)	(449.7)	(175.1)
Total liabilities	(970.0)	(933.9)	(969.5)
Net assets	1,382.2	1,290.7	1,377.8
Equity			
Total equity attributable to equity holders of the parent	1,257.5	1,170.8	1,250.3
Minority interests	124.7	119.9	127.5
Total equity	1,382.2	1,290.7	1,377.8

Consolidated statement of cash flows (unaudited)
For the three months ended 31 March 2006

	3 months ended 31 March 2006 £m	3 months ended 31 March 2005 £m	Year ended 31 December 2005 £m
Cash flows from operating activities			
Profit for the period	8.1	11.8	69.8
Adjustments for:			
Depreciation and amortisation	9.4	9.0	36.4
Share of profit of joint ventures and associates	(1.2)	(0.8)	(3.5)
Impairment for property, plant and equipment	-	-	6.5
Profit on sale of property, plant and equipment	-	-	(9.6)
Revaluation of investment properties	-	-	(5.9)
Employee stock options	0.1	0.1	0.7
Finance income	(1.2)	(0.6)	(6.7)
Finance expense	8.1	7.8	35.8
Income tax expense	3.4	8.0	26.0
Operating profit before changes in working capital and provisions	26.7	35.3	149.5
Increase in inventories, trade and other receivables	(3.7)	(13.0)	(19.3)
Increase/(decrease) in development properties	6.0	(5.0)	(17.6)
Increase in trade and other payables	0.6	1.2	3.9
Increase/(decrease) in provisions and employee benefits	0.3	0.1	(0.4)
Cash generated from operations	29.9	18.6	116.1
Interest paid	(6.8)	(7.7)	(35.4)
Interest received	1.7	1.5	6.1
Income taxes paid	(3.7)	(1.1)	(13.1)
Net cash from operating activities	21.1	11.3	73.7
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, investment properties and assets held for sale	0.2	4.7	34.5
Change in financial assets	(1.7)	(0.1)	(1.8)
Proceeds from disposal of joint venture	0.7	-	6.5
Acquisition of property, plant and equipment	(7.1)	(5.9)	(39.2)
Net cash from investing activities	(7.9)	(1.3)	-
Balance carried forward	13.2	10.0	73.7

Consolidated statement of cash flows (unaudited) (continued)
For the three months ended 31 March 2006

	3 months ended 31 March 2006 £m	3 months ended 31 March 2005 £m	Year ended 31 December 2005 £m
Balance brought forward	13.2	10.0	73.7
Cash flows from financing activities			
Proceeds from the issue of share capital	0.5	1.0	2.1
Repayment of borrowings	(23.2)	(34.9)	(419.0)
Drawdown of borrowings	20.9	19.0	387.0
Payment of finance lease obligations	(1.0)	(0.9)	(1.8)
Loan arrangement fees	(0.5)	(0.1)	(1.4)
Dividends paid to minorities	(1.5)	-	(2.3)
Dividends paid to equity holders of the parent	-	-	(31.5)
Net cash from financing activities	(4.8)	(15.9)	(66.9)
Net increase in cash and cash equivalents			
	8.4	(5.9)	6.8
Cash and cash equivalents at beginning of period	103.7	89.8	89.8
Effect of exchange rate fluctuations on cash held	(1.4)	2.3	7.1
Cash and cash equivalents at end of the period	110.7	86.2	103.7
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the balance sheet	111.6	86.8	104.6
Overdraft bank accounts included in borrowings	(0.9)	(0.6)	(0.9)
Cash and cash equivalents for cash flow statement purposes	110.7	86.2	103.7

Notes to the first quarter results announcement (unaudited)

1. Basis of preparation and accounting policies

The comparative figures for the financial year ended 31 December 2005 have been extracted from the Group's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The financial information presented in this first quarter results announcement has been prepared in accordance with the same accounting policies as the Group's statutory accounts for the year ended 31 December 2005.

2. Segmental analysis

The following segmental analysis is not intended to be a full statutory disclosure.

	3 months ended 31 March 2006							Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	
Revenue								
Hotel	21.4	25.5	18.0	23.4	40.0	13.8	-	142.1
Property operations	-	0.7	-	-	0.3	6.8	-	7.8
Total	21.4	26.2	18.0	23.4	40.3	20.6	-	149.9
Hotel gross operating profit	5.1	3.2	7.7	6.6	13.8	6.6	-	43.0
Hotel fixed charges*	(4.1)	(4.5)	(3.4)	(4.4)	(6.0)	(2.5)	-	(24.9)
Hotel operating profit	1.0	(1.3)	4.3	2.2	7.8	4.1	-	18.1
Property operations operating profit	-	0.1	-	-	0.2	2.2	-	2.5
Profit before central costs	1.0	(1.2)	4.3	2.2	8.0	6.3	-	20.6
Central costs	-	-	-	-	-	-	(3.4)	(3.4)
Group operating profit before other operating income and impairment	1.0	(1.2)	4.3	2.2	8.0	6.3	(3.4)	17.2

	3 months ended 31 March 2005							Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m	Central costs £m	
Revenue								
Hotel	16.4	22.0	18.0	22.5	33.8	13.8	-	126.5
Property operations	-	0.5	-	-	0.4	2.1	-	3.0
Total	16.4	22.5	18.0	22.5	34.2	15.9	-	129.5
Hotel gross operating profit	2.8	2.2	8.4	6.1	11.6	6.4	-	37.5
Hotel fixed charges*	(2.1)	(4.2)	(3.3)	(4.4)	(5.2)	(2.5)	-	(21.7)
Hotel operating profit	0.7	(2.0)	5.1	1.7	6.4	3.9	-	15.8
Property operations operating profit	-	-	-	-	0.2	1.1	-	1.3
Profit before central costs	0.7	(2.0)	5.1	1.7	6.6	5.0	-	17.1
Central costs	-	-	-	-	-	-	(3.7)	(3.7)
Group operating profit before other operating income and impairment	0.7	(2.0)	5.1	1.7	6.6	5.0	(3.7)	13.4

Notes to the first quarter results announcement (unaudited) (continued)

2. Segmental analysis (continued)

	Year ended 31 December 2005							Central costs £m	Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Asia £m	Australasia £m			
Revenue									
Hotel	91.2	112.8	78.7	97.7	151.7	48.6	-	580.7	
Property operations	-	2.6	-	-	1.4	10.5	-	14.5	
Total	91.2	115.4	78.7	97.7	153.1	59.1	-	595.2	
Hotel gross operating profit	31.2	23.5	38.1	31.1	55.7	20.4	-	200.0	
Hotel fixed charges*	(14.2)	(18.5)	(13.5)	(17.0)	(20.7)	(9.4)	-	(93.3)	
Hotel operating profit	17.0	5.0	24.6	14.1	35.0	11.0	-	106.7	
Property operations operating profit	-	0.6	-	-	0.8	5.3	-	6.7	
Profit before central costs	17.0	5.6	24.6	14.1	35.8	16.3	-	113.4	
Central costs	-	-	-	-	-	-	(13.8)	(13.8)	
Group operating profit before other operating income and impairment	17.0	5.6	24.6	14.1	35.8	16.3	(13.8)	99.6	

*'Hotel fixed charges' include depreciation, amortisation of lease prepayments, property rent, taxes and insurance, operating lease rentals and management fees.

3. Other operating income

	3 months ended 31 March 2006 £m	3 months ended 31 March 2005 £m	Year ended 31 December 2005 £m
Fair value adjustments of investment property	-	-	5.9
Business interruption insurance proceeds	-	12.8	12.8
Net gain on disposal of property, plant and equipment	-	-	9.6
	-	12.8	28.3

4. Income tax expense

Income tax expense for the three month period presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the period.

Taxation for the period comprises both the Group tax charge and the joint venture taxation charge which is included separately within the Group's share of joint venture profits (but disclosed on the face of the income statement).

The estimate annual effective rate applied to profit before tax excluding the Group's share of joint venture profits is 33.0%. For the comparative periods, excluding the Group's share of joint venture profits and also excluding the Millennium Hilton business interruption profit of £12.8m and the tax thereon of £6.0m, the Group's effective tax rate was 32.3% (three months ended 31 March 2005) and 25.2% (year ended 31 December 2005).

Notes to the first quarter results announcement (unaudited) (continued)

5. Earnings per share

	3 months ended 31 March 2006	3 months ended 31 March 2005	Year ended 31 December 2005
Basic			
Profit for period attributable to holders of the parent (£m)	5.6	9.8	61.1
Weighted average number of shares outstanding (m)	288.2	286.4	287.0
Basic earnings per share (pence)	1.9	3.4	21.3
Diluted			
Weighted average number of shares outstanding (m)	288.4	287.5	287.9
Diluted earnings per share (pence)	1.9	3.4	21.2
Adjusted earnings per share			
Profit for the period attributable to holders of the parent (£m)	5.6	9.8	61.1
Adjustment to exclude other operating income and impairment (net of tax) (£m)	-	(6.8)	(7.3)
Adjusted profit for the period attributable to holders of the parent (£m)	5.6	3.0	53.8
Weighted average number of shares outstanding (m)	288.4	287.5	287.9
Adjusted earnings per share (pence)	1.9	1.0	18.7

Key operating statistics (unaudited)

For the three months ended 31 March 2006

	3 months 31 March 2006 Reported currency	3 months 31 March 2005 Constant Currency	3 months 31 March 2005 Reported currency	Year ended 31 December 2005 Reported currency
Occupancy %				
New York	80.8		77.6	84.5
Regional US	61.3		58.7	66.2
Total US	65.8		63.0	70.4
London	82.0		82.5	84.8
Rest of Europe	70.4		68.9	72.8
Total Europe	75.5		74.9	78.1
Asia	72.9		69.7	73.7
Australasia	81.2		82.6	69.6
Total Group	72.1		70.2	73.0
Average Room Rate (£)				
New York	127.99	111.75	102.86	129.42
Regional US	48.62	48.13	44.30	49.63
Total US	71.11	66.02	60.77	71.53
London	75.90	75.79	75.79	80.20
Rest of Europe	70.54	69.02	69.33	69.83
Total Europe	73.12	72.33	72.48	74.82
Asia	58.90	53.73	49.15	52.40
Australasia	44.23	43.45	43.38	43.43
Total Group	64.45	61.07	58.23	64.01
RevPAR (£)				
New York	103.42	86.72	79.82	109.36
Regional US	29.80	28.25	26.00	32.86
Total US	46.79	41.59	38.29	50.36
London	62.24	62.53	62.53	68.01
Rest of Europe	49.66	47.55	47.77	50.84
Total Europe	55.21	54.18	54.29	58.43
Asia	42.94	37.45	34.26	38.62
Australasia	35.91	35.89	35.83	30.23
Total Group	46.47	42.87	40.88	46.73
Gross Operating Profit Margin (%)				
New York	23.8		17.1	34.2
Regional US	12.5		10.0	20.8
Total US	17.7		13.0	26.8
London	42.8		46.7	48.4
Rest of Europe	28.2		27.1	31.8
Total Europe	34.5		35.8	39.2
Asia	34.5		34.3	36.7
Australasia	47.8		46.4	42.0
Total Group	30.3		29.6	34.4