Interim Statements 2000

MILLENNIUM & COPTHORNE HOTELS plc

Highlights

Financial highlights

- Group turnover including acquisitions increased 161% to £322.2 million (1999: £123.6 million)
- Operating Profit for the Group up 116% to £76.4 million (1999: £35.4 million*)
- Pre-tax Profit for the Group up 88% to £53.6 million (1999: £28.5 million*)
- Shareholders' Funds at £1,387.4 million (31 December 1999: £1,311.7 million*)
- Earnings per share up 13% at 13.5 pence per share (1999: 12.0 pence*)
- Dividend per share up 11% at 4.2 pence per share (1999: 3.8 pence)

Group highlights

- Good progress on integrating acquisitions
- Continuing development of Group as a whole
- Strengthened management team
- Disposal of non-core assets in USA progressing well
- Continued progress transforming the Group into a global hotel owner operator

*Prior year numbers have been restated for the effect of Financial Reporting Standard 15 – Tangible Fixed Assets (FRS15) which comes into force this year.

I am pleased to report to our shareholders a very satisfactory overall result for the Group for the six months to 30 June 2000.

Results

Turnover for the Group increased 161% to £322.2 million (1999: £123.6 million). Operating Profit increased 116% to £76.4 million (1999: £35.4 million) producing a Profit before Tax of £53.6 million up 88% (1999: £28.5 million).

The financial performance of the Group reflects a well managed business benefiting from the ongoing economic recovery throughout Asia, with the exception of Indonesia, and from the strength of the economies of the United Kingdom and the USA.

Numbers for prior years have been restated for the effect of Financial Reporting Standard 15 – Tangible Fixed Assets (FRS15) which comes into force this year and which looks at the useful economic life of fixed assets and the annual depreciation thereon. This has been applied by the Group using the guidelines set out by the British Association of Hospitality Accountants and now adopted by the majority of the public and major private hotel groups in the United Kingdom. The additional depreciation as a result of FRS15 provided for the six months to 30 June 2000 was £3.9 million and is reflected within the figures stated in the paragraph above. The results for the six months to 30 June 1999 have been restated and contain additional depreciation of £0.7 million.

Occupancy for the enlarged Group was 69.1%, average room rate £67.04 and resultant yield per available room £46.32. The significant change in the number and location of properties makes meaningful comparisons difficult. In an effort to provide useful figures we have calculated, on a pro forma basis, the occupancy and average room rate statistics for all the properties during the corresponding period in 1999. These comparative figures are provided only as a guide to growth year on year for properties not under our ownership last year. The pro forma 1999 figures indicate that occupancy was 67.5%, average room rate was £63.97 and the resultant yield per available room was £43.18, resulting in increases of 1.6 percentage points, 5% and 7% respectively on 1999.

The Gross Operating Profit margin for the Group of 38.3% cannot be compared on a pro forma basis due to some differences in accounting practice between our Group and the acquired companies. Comparison can be made on financial results and statistics from continuing operations in the review of operations by region.

Before adjusting for FRS15 the results from Continuing Operations show an underlying growth of 8% in Turnover to £122.4 million (1999: £113.0 million), 9% in Operating Profit for the Group to £36.3 million (1999: £33.3 million) and 11% in Pre-tax Profit to £29.7 million (1999: £26.8 million).

Dividend

The Board has declared an interim dividend of 4.2 pence per share, up 0.4 pence, an increase of 11% (1999: 3.8 pence per share).

Shareholder reorganisation

In June we announced that our majority shareholder, CDL Hotels International Limited (CHIL), was selling its shareholding in Millennium & Copthorne to City Developments Limited (CDL), the parent of CHIL. We believe this is advantageous for Millennium & Copthorne as it simplifies our ownership structure and brings us closer to the greater strength of CDL.

CHIL is developing in a new direction by developing an ‘e’-commerce business-to-business solutions company specialising in the hospitality sector under the new name of City e-Solutions Ltd. We will hold a 15% interest in this venture following the sale of the hotel management business owned by Richfield Hospitality Services Inc. out of the US Regal Group. We will stand to enjoy the benefits arising from the new e-commerce initiatives whilst concentrating on our core business of operating and managing upscale hotels.

Review of operations

In the period under review, we focused on three main target areas:

- to improve hotel revenue and profitability in the recovering Asian economies and the continuing strong economies in Europe and USA;
- to integrate successfully the acquisitions made last year; and
- to continue the implementation of a capital investment programme with particular emphasis on our properties in the United States and Asia so as to build a strong foundation for future earnings growth.

London

Our preliminary announcement in early March indicated that the year had started well for our London properties. We completed bedroom refurbishments at the Millennium Britannia, Millennium Gloucester and Copthorne Tara before the end of February. The Millennium Britannia is free of construction workers in the hotel for the first time under our ownership and is now reaping the benefit of its capital expenditure programme.

Occupancy for the region was up 4.6 percentage points to 83.9% (1999: 79.3%), average room rate was up nearly 5% to £91.05 (1999: £86.94), producing an increase of 11% in yield per available room to £76.39 (1999: £68.94). The recovery in Occupancy and room rate confirms that our earlier policy made in the softer period of 1999 not to engage in 'rate cutting' was the right decision.

The Gross Operating Profit margin increased 1.4 percentage points to 54.0% (1999: 52.6%) taking us above the previous high of 53.2% achieved in the first half of 1997.

Regional UK
Whilst the strong performance experienced in London was not repeated in the provincial properties, the results for the region should be taken without the Millennium Glasgow for a meaningful comparison. In the late autumn of 1999 this property commenced a major restructuring and refurbishment programme costing over £5 million. We continued to operate the property in order to minimise the financial impact and to retain staff for the eight-month construction period. I would like to extend our warmest appreciation to our regular customers for their understanding during this process. Re-launched as a Millennium 4-star deluxe property in June, the Millennium Glasgow, situated on what is arguably the best location in Glasgow, can now be regarded as one of the premier properties in the city. In the second half of the year we will undoubtedly benefit from the Millennium Glasgow as well as the 140 bedroom Millennium Madejski Reading that was opened in May under our management. Both hotels herald the introduction of the Millennium brand for the first time outside of London in the UK.

The provincial UK properties experienced some mixed fortunes. Properties such as the Copthornes at Slough, Gatwick and Merry Hill, which is aided by its extended conference facilities, all recorded growth over 1999. In contrast, a temporary imbalance between supply and demand exists in Manchester and, more particularly, in Cardiff where additional competitor bedroom stock has impacted results.

Overall the financial performance for the region was as follows:

Including Glasgow, Occupancy for the region dropped 0.6 percentage points to 71.5% (1999: 72.1%), although average room rate increased by 3% to £68.91 (1999: £67.01) producing a yield per available room up 2% to £49.27 (1999: £48.30). Gross Operating Profit margin dipped by 1.6 percentage points to 38.8% (1999: 40.4%).

Excluding Glasgow, Occupancy for the region increased by 1.8 percentage points on last year. The average room rate growth of 2% was retained and produced a yield per available room growth of approximately 5%. The Gross Operating Profit margin was up 1.2 percentage points.

Continental Europe

The Millennium Paris Opéra, now in its second year following a major refurbishment, improved as expected over 1999. We are confident that the property will continue to improve in performance during the coming months. The Copthorne Charles de Gaulle property once again produced good growth in the half year. In Germany, the Copthorne Hannover is benefiting from Expo 2000 which is held at the International Fairground nearby, despite the lower than expected attendance.

The strength of the pound vis-a-vis the French Franc and Deutschmark has caused a negative impact on the financial performance of our hotels in Continental Europe upon the conversion of earnings into Sterling. Excluding the impact of currency movements, gross operating profit for the region is up by 50%.

Occupancy for the region was up 3.2 percentage points to 67.6% (1999: 64.4%). Average room rate in Sterling was down 4% to £74.32 (1999: £77.09) and resultant yield per available room only marginally ahead, up 1% to £50.24 (1999: £49.70). The fall in average room rate is due to the effect of currency fluctuations against Sterling. In local currency terms, the combined average room rate of the properties in Continental Europe rose by 6% and the yield per available room by 10%. The improving Millennium Paris Opéra lifted the Gross Operating Profit margin for the region by over 9 percentage points to 35.5% (1999: 26.2%). This augurs well for the future as the hotel continues to gain increasing recognition in the market.

USA

Our main focus in the United States has been:

- to apply Millennium hotel operating performance standards to the Regal branded hotels;
- to establish the management structure;
- to refine a US$70 million capital expenditure programme for the 12 Regal properties; phase I, amounting to US$50 million, to be implemented mainly over the Winter period of 2000/2001; phase II, amounting to a further US$20 million, will follow later that year; and
- to implement a disposal plan for the non-Regal branded properties which do not fit our operational criteria. The management company business owned by Richfield Hospitality

Services Inc. will be sold to a new joint venture company being set up by CDL Hotels International Limited as referred to in my opening remarks.

Robert Morse was appointed in March this year as President of our US Operations. His experience, having been gained in senior positions in two of the largest US hotel corporations of Sheraton and Meri-Star, will be invaluable as we develop the US region over the coming years. He, along with John Wilson and myself have spent a considerable amount of time in reviewing and preparing the capital programme necessary to refurbish and revitalise the Regal branded properties in readiness for their conversion to the Millennium brand by the end of the first quarter 2001.

There are 12 non-Regal branded properties which are being marketed for sale. For a number of these properties, we have either signed contracts or letters of intent with prospective buyers.

To facilitate assessment of the financial performance of the US properties, the statistics will have to be segmented into three distinct parts for the time being: the original New York hotels, the Regal branded properties and the non Regal properties.

The original New York hotels have all performed very well, mainly due to market conditions remaining strong in the city. Occupancy for the Millennium Broadway and the Millenium Hilton, already good last year, increased by a significant 9.0 percentage points to 87.7% (1999: 78.7%), the average room rate by 5% to £146.32 (1999: £139.96) and the resultant yield per available room up 17% to £128.32 (1999: £110.10). The Gross Operating Profit margin, however, slipped 1.0 percentage point to 42.9% (1999: 43.9%) as a result of the union benefits introduced from July 1999 at the Millennium Broadway.

The Plaza Hotel also recorded much improved results. Occupancy increased by 7.6 percentage points to 83.6% and, coupled with an increase in average room rate, the yield per available room increased by over 16% on 1999. The Gross Operating Profit margin increased by over 3 percentage points over the previous corresponding period. The good performance clearly shows that The Plaza Hotel has recorded significant revenue and profit growth following the completion of all major capital expenditure works, with only the Edwardian Room restaurant still requiring refurbishment.

As a result of the buoyant hotel industry in New York, we have not, as yet, carried out any refurbishment work at the Regal UN Plaza hotel. Instead, we have concentrated on sales, marketing and operating performance. The result has been an increase of 29% in yield per available room over the previous corresponding period. It is anticipated that a refurbishment programme for the hotel will commence in the quieter period towards the end of the year.

Overall, the Regal branded hotels are improving in performance as a result of our management and direction, despite the fact that none of these properties has yet benefited from refurbishment. Occupancy for the 11 Regal branded properties, excluding the Regal Bostonian, increased 1.3 percentage points to 64.2% and the average room rate improved by 3% to US$112.53, producing a growth in yield per available room of 5%. The acquisition of the Regal Bostonian was not completed until mid June and, therefore, has had little impact on the half year results. We own 98.3% of this property having acquired the 51% shareholding held by Regal Hotels International and the balance from a Boston based business consortium. We are finalising an option to purchase a plot of land adjacent to the hotel. Extension plans are currently being drawn up for approval. Once approval is granted, we will exercise the option. When refurbishment for the Regal branded properties is completed by Spring 2001, our key gateway hotels will be able to improve yield per available room across the region and to win back business that had been lost as a result of tired-looking rooms.

The non-Regal branded properties, 12 of which are being marketed for disposal, were 2.8 percentage points down in Occupancy to 64.7% and 3% down in average room rate to US$59.05 on their 1999 results.

We do not expect to have to call upon the EBITDA guarantee provided by Regal Hotels International for the year 2000 as we are in line with our projections made at the time of the acquisition.

Asia

The Asian economies continue to recover, particularly Singapore where we own four hotels and manage one. We have also taken advantage of tax incentives in Singapore to carry out major refurbishments at the Orchard Hotel and the Copthorne Harbour View that will benefit us further as the economies continue to strengthen. Copthorne Harbour View, in particular, is undergoing a total refurbishment to Millennium brand standard that will reposition the hotel as the only business hotel in the Central Business District. Despite a reduced total room inventory as a result of the ongoing refurbishment programmes, both hotels recorded improved average room rates. However, the temporary closure of the food and beverage outlets for renovation at the Copthorne Harbour View led to lower segmental revenue for the hotel. Copthorne King's and Copthorne Orchid Singapore also recorded improved room yield and contributed higher pre-tax profit.

At the Grand Hyatt Taipei, total hotel revenue was up 5% from the same period last year. The higher total revenue was achieved due to increased food and beverage revenue, in particular, from the newly renovated Café. On the other hand, lower room revenue was recorded, a marginal decrease of 1.5% due to the ongoing room renovation programme. Overall, the pre-tax profit was maintained compared to the previous corresponding period.

Most of the employees below middle management at the Seoul Hilton went on strike on 23 June 2000 principally because of their aim to increase union membership and to improve working conditions. This followed strikes at two other hotels in Seoul in mid June. The strike had little impact on the hotel's performance for the first half year. However, food and beverage revenue in July was down from last year's, as all except two outlets were closed during the dispute. The strike was called off on 5 August 2000 and the workers returned to work. The hotel has since resumed operations in its food and beverage outlets.

Overall, the Asian region performed well. Despite the disruption caused by the refurbishment works, Occupancy for the region in the first half year increased by 2.0 percentage points to 67.4%, average room rate increased by 5% to £59.98 and resultant yield per available room up 8% to £40.43. All growth figures are expressed against pro forma statistics for last year on a like-for-like basis. The Gross Operating Profit margin for the region was 39.0%. In addition to the refurbishment programmes in Singapore, other major projects in the region this year include:

– a bedroom refurbishment at Copthorne Kings, Singapore;

– a refurbishment programme covering the 262 bedrooms, suites, and function rooms at the Grand Hyatt Taipei;

– a bedroom refurbishment programme at the Heritage Manila; and

– a bedroom refurbishment programme and renovation of the Grill Bar Restaurant at the Regent Kuala Lumpur.

In January 2000, we acquired CHIL's hotel interests in Hong Kong. This completed the acquisition of CHIL's Asia Pacific hotel interests announced in April 1999.

Australasia
Reflecting the slow economic recovery of the region, the properties in New Zealand and Australia recorded only limited growth during the period. Occupancy was up 0.7 percentage points to 63.8%, average room rate in local currency up 3% to NZ$98.22 and resultant yield up 4%. However, because of the strength

of Sterling against the NZ$ this results, upon conversion, to a shortfall of 4% against last year. The Gross Operating Profit margin improved to 32.8%.

This region generates profit from non-hotel operations, including property rental and the sale of land. This amounted to £2.5 million during the first half of this year. A review of the number of hotels and non-core businesses we have in Australasia will be undertaken in the coming months.

Some major capital expenditure works are underway in New Zealand with bedroom refurbishments being carried out at the Millennium Rotorua and the Copthorne Resort Lakefront, Queenstown, which will improve the revenue and profit capability of these properties.

Prospects

The outlook for the Group remains very positive. In London the market for predominantly business related hotels remains strong. The provincial properties in the United Kingdom improved generally in the second quarter of the first half year and the outlook is for this to continue. Whilst the provincial centres are not as strong as London, mainly due to a supply versus demand imbalance in some cities like Manchester and Cardiff, we will have the added benefit of the newly refurbished Millennium Glasgow in the second half.

On the Continent, the Millennium Paris Opéra will continue to gain recognition in the market and will provide further growth. The Copthorne Hannover is expected to improve over last year despite a lower-than-expected attendance at Expo 2000.

In respect of the Copthorne Stuttgart International, the Company continues to re-negotiate the financial and management arrangements, including that of the lease agreement with the Freeholders, since the Landlord, which leased the complex, went into liquidation. The Company is now considering its right to ask for an arbitrator to be appointed under the terms of our lease.

In the United States, New York has started the second half well with no signs of any slowdown in business levels. Among the Regal properties a significant number of capital expenditure projects will get underway for completion by Spring 2001 when the hotels will be re-branded Millennium. Whilst every effort is being made to minimise the effect on business levels and profitability, we undoubtedly will not see the main benefit from these works until the Spring of 2001 and thereafter. Most of the projects are bedroom refurbishments and this is the first phase of works on which we have projected to spend US$70 million over a two year period. The Regal properties in this first phase are the Bostonian – Boston, Biltmore – Los Angeles, Cincinnati, Harvest House – Boulder, Colorado; Knickerbocker – Chicago, Minneapolis, St. Louis and the UN Plaza – New York.

The disposal programme of the non-Regal branded properties is on target. Until sold, M&C will relinquish the management of these hotels and focus its attention on the up-scale Regal properties. The management team being built around Robert Morse will be located in Washington DC. The lease for the Denver office and most of the personnel will be transferred to the new e-commerce company. We will be providing business input into the e-commerce products to be developed by CHIL which will allow us to reduce costs, increase sales and productivity and manage more effectively.

In Asia, the main economies are continuing to recover and business confidence is still improving. The refurbishment programme in the Orchard and Copthorne Harbour View in Singapore, is due for completion this Autumn and revenue and profit from these properties should improve significantly following completion. The Grand Hyatt Taipei is expected to continue to recover and grow.

Seoul Hilton's overall performance for the year will depend on how much the food and beverage revenue can be increased in order to make up for the shortfall due to the strike as well as on the extent of wage increases currently under negotiation.

The outlook for Australasia remains one of slow growth other than for the Millennium Sydney during the Olympic Games following which we are looking into refurbishing one of its twin towers and assessing the possibility of converting the other into long term lease apartments to be managed by us.

We believe that we have the potential to increase earnings through internal growth as a result of refurbishments, economies of scale and the new e-commerce initiatives to be managed by the new joint venture company. Taking into account the economic picture identified for each region, as well as our continued integration of the businesses acquired and, recognising that as a Group, our operating performance is weighted towards the second half of the year, we are on track to meet our financial target for the year. We will continue to evaluate suitable acquisition opportunities as and when they occur.

Kwek Leng Beng, *Chairman*
14 August 2000

Consolidated profit and loss account

	6 months ended 30 June 2000 £m unaudited	6 months ended 30 June 2000 £m unaudited	Restated 6 months ended 30 June 1999 £m unaudited	Restated Year ended 31 Dec 1999 £m audited
Turnover including share of joint venture's turnover	**335.3**		123.6	343.1
Less share of turnover of joint venture	**(13.1)**		–	–
Group turnover		**322.2**	123.6	343.1
Cost of sales		**(132.6)**	(44.7)	(128.4)
Gross profit		**189.6**	78.9	214.7
Administration costs		**(113.2)**	(43.5)	(118.6)
Group operating profit		**76.4**	35.4	96.1
Share of operating profits of joint ventures		**2.6**	–	–
Share of operating profits of associated undertakings		**5.1**	3.0	9.2
		84.1	38.4	105.3
Interest payable less receivable				
Group		**(24.8)**	(7.3)	(16.4)
Joint ventures		**(1.9)**	–	–
Associated undertakings		**(3.8)**	(2.6)	(5.4)
		(30.5)	(9.9)	(21.8)
Profit on ordinary activities before taxation		**53.6**	28.5	83.5
Taxation		**(11.5)**	(7.9)	(19.5)
Profit on ordinary activities after taxation		**42.1**	20.6	64.0
Minority interests		**(4.1)**	(0.5)	(5.1)
Profit for the financial period		**38.0**	20.1	58.9
Dividends paid and proposed		**(11.8)**	(5.5)	(23.5)
Retained profit for the financial period		**26.2**	14.6	35.4
Basic earnings per share		**13.5p**	12.0p	28.5p
Fully diluted earnings per share		**13.4p**	11.9p	28.4p
Dividend per share		**4.2p**	3.8p	11.3p

Consolidated statement of total recognised gains and losses

Profit for the financial period	**38.0**	20.1	58.9
Gain on foreign currency translation	**49.5**	6.3	3.5
Prior year adjustments	**(8.3)**	–	–
Revaluation of fixed assets	**–**	–	54.8
Total gains and losses recognised since last annual report	**79.2**	26.4	117.2

		30 June 2000 £m unaudited	Restated 30 June 1999 £m unaudited	Restated 31 Dec 1999 £m audited
Fixed assets				
Tangible assets		**2,203.3**	1,588.8	2,173.1
Investments in joint ventures				
Share of gross assets	**165.4**		–	–
Share of gross liabilities	**(124.9)**		–	–
		40.5	–	–
Associates and trade investments		**55.1**	61.2	50.7
		2,298.9	1,650.0	2,223.8
Current assets				
Stock		**46.7**	39.0	33.3
Properties for resale		**59.0**	–	–
Debtors		**67.0**	57.4	60.6
Cash		**135.1**	262.2	138.9
		307.8	358.6	232.8
Creditors: amounts falling due within one year				
Bank loans, overdrafts and finance lease obligations		**(73.7)**	(15.3)	(128.0)
Other liabilities		**(133.3)**	(282.4)	(153.3)
		(207.0)	(297.7)	(281.3)
Net current assets/(liabilities)		**100.8**	60.9	(48.5)
Total assets less current liabilities		**2,399.7**	1,710.9	2,175.3
Creditors: amounts falling due after more than one year				
Bank loans, overdrafts and finance lease obligations		**(791.3)**	(410.6)	(644.6)
Other liabilities		**(52.9)**	(8.7)	(35.4)
		(844.2)	(419.3)	(680.0)
Provisions for liabilities and charges		**(14.6)**	(16.1)	(12.7)
Net assets		**1,540.9**	1,275.5	1,482.6
Capital and reserves				
Share capital		**84.6**	71.9	84.6
Share premium		**844.0**	701.4	844.0
Revaluation reserve		**284.4**	227.4	280.6
Profit and loss account		**174.4**	86.1	102.5
Shareholders' funds		**1,387.4**	1,086.8	1,311.7
Minority interests – equity		**148.2**	188.7	165.6
Minority interests – non equity		**5.3**	–	5.3
Total capital employed		**1,540.9**	1,275.5	1,482.6

Consolidated cash flow statement

	30 June 2000 £m unaudited	30 June 1999 £m unaudited	31 Dec 1999 £m audited
CASH FLOW STATEMENT			
Net cash inflow from operating activities	**87.3**	43.2	120.0
Dividends received from associated undertakings	**–**	–	0.5
Return on investments and servicing of finance	**(27.5)**	(7.0)	(19.8)
Taxation paid	**(13.3)**	(3.0)	(18.7)
Capital expenditure and financial investment	**(24.1)**	(18.4)	(11.6)
Acquisitions and disposals	**(43.7)**	(179.1)	(905.5)
Equity dividends paid	**(18.0)**	(10.2)	(15.5)
Cash outflow before use of liquid resources and financing	**(39.3)**	(174.5)	(850.6)
Management of liquid resources	**(7.2)**	(190.4)	(0.4)
Financing			
Net proceeds from the issue of shares and purchase of minority interests	**(0.2)**	431.4	586.6
Net increase/(decrease) in debt and lease financing	**29.5**	(5.3)	337.0
	29.3	426.1	923.6
(Decrease)/increase in cash	**(17.2)**	61.2	72.6

	30 June 2000 £m unaudited	30 June 1999 £m unaudited	31 Dec 1999 £m audited
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease)/increase in cash in the period	**(17.2)**	61.2	72.6
Cash outflow from increase in liquid resources	**7.2**	190.4	0.4
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	**(29.5)**	5.3	(337.0)
Change in net debt resulting from cash flows	**(39.5)**	256.9	(264.0)
Deferred finance costs	**1.6**	–	4.6
Leases and debt financing acquired with subsidiaries	**(26.6)**	(137.3)	(96.4)
Translation differences and other non-cash movements	**(31.7)**	(9.3)	(3.9)
Movement in net debt in the period	**(96.2)**	110.3	(359.7)
Net debt at the beginning of the period	**(633.7)**	(274.0)	(274.0)
Net debt at the end of the period	**(729.9)**	(163.7)	(633.7)

1 **Date of approval** These interim statements were approved by the directors on 11 August 2000. Further copies of the statements can be obtained from Millennium & Copthorne Hotels plc at Victoria House, Victoria Road, Horley, Surrey, RH6 7AF or from the Financial Times.

2 **Basis of preparation** The interim statements have been prepared under the historical cost convention, modified to include the revaluation of certain hotels, and in accordance with the Group's accounting policies as set out in the financial statements for the year ended 31 December 1999, except as set out in paragraph 3 below. The 1999 figures have been restated to take account of the prior year adjustments set out below. They are based upon statutory accounts for that year which have been filed with the Registrar of Companies and contain an unqualified audit report. The interim statements have been reviewed by the Group's auditors and their report to the directors is set out on page 16.

3 **Prior year adjustment** Following the introduction of Financial Reporting Standard 15 (FRS15) the Group has changed its accounting policy with regard to the depreciation of fixed assets and the capitalisation of pre-opening costs. Accordingly, in compliance with FRS15, the Group has restated the 1999 figures.

4 **Basis of consolidation** The interim statements consolidate the accounts of Millennium & Copthorne Hotels plc and its subsidiary undertakings together with the Group's share of the net assets and results of its joint ventures and associated undertakings.

The results of subsidiary undertakings acquired are included in the profit and loss account from the effective date of acquisition. The Group's share of the results and net assets of its associated undertakings and the joint venture are included in the consolidated profit and loss account and balance sheet under the equity method of accounting.

5 **Tax** A tax charge has been accrued to reflect the estimated effective tax rate for the full year.

6 **Acquisitions** On 31 January 2000 the Group completed the purchase of CDL Hotels International Limited's hotels in Asia and Australasia by acquiring CHIL's Hong Kong hotels. Based on our initial assessment of the fair value of the assets acquired the directors do not believe that there was any goodwill arising on the transaction. The Group's interest has been accounted for as a joint venture.

On 16 June 2000, the Group purchased 98.3% of the Regal Bostonian hotel which was the subject of a specific carve out in the original Regal acquisition. In addition to acquiring a 51% shareholding from Regal Hotels International, the Group purchased the balance from a Boston based consortium.

Based on our initial assessment of the fair value of the assets acquired the directors do not believe that there was any goodwill arising on the transaction.

7 **Dividends** The interim dividend of 4.2p per share will be paid on 2 October 2000 to shareholders on the register as at close of business on 25 August 2000. The ex-dividend date for the shares will be 21 August 2000.

8 **Earnings per share** The basic earnings per share of 13.5p (restated 1999: 12.0p) are based on earnings of £38.0 million (restated 1999: £20.1 million) and a weighted average number of shares in issue of 281.9 million (1999: 168.0 million) being the average number of shares in issue during the period. Fully diluted earnings per share of 13.4p (restated 1999: 11.9p) are based on a weighted average number of shares in issue of 282.2 million (1999: 168.7 million) being the average number of shares in issue during the period adjusted for the exercise of share options.

Segmental analysis

	30 June 2000 6 months £m	Restated 30 June 1999 6 months £m	Restated 31 Dec 1999 12 months £m
GROUP TURNOVER			
London	**44.4**	40.0	84.6
Regional UK	**25.7**	26.0	53.5
Continental Europe	**8.8**	8.6	17.3
USA	**132.9**	38.4	85.0
Asia	**86.3**	6.6	65.9
Australasia	**24.1**	4.0	36.8
Group	**322.2**	123.6	343.1
OPERATING PROFIT			
London	**17.7**	15.4	33.7
Regional UK	**6.6**	7.5	15.6
Continental Europe	**1.3**	0.3	0.8
USA	**29.6**	12.0	27.4
Asia	**23.0**	2.8	18.9
Australasia	**4.1**	0.1	7.2
Group	**82.3**	38.1	103.6
Central costs and other items	**(5.9)**	(2.7)	(7.5)
GROUP OPERATING PROFIT	**76.4**	35.4	96.1
Share of operating profits of joint venture	**2.6**	–	–
Share of operating profits of associated undertakings	**5.1**	3.0	9.2
Interest payable less receivable	**(30.5)**	(9.9)	(21.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**53.6**	28.5	83.5

	30 June 2000 6 months	30 June 1999 6 months	31 Dec 1999 12 months
OCCUPANCY (%)			
London	**83.9**	79.3	81.7
Regional UK	**71.5**	72.1	73.3
Continental Europe	**67.6**	64.4	63.7
USA	**67.9**	78.7	81.5
Asia	**67.4**	–	64.9
Australasia	**63.8**	–	62.3
Group	**69.1**	75.4	70.6
AVERAGE ROOM RATE (£)			
London	**91.05**	86.94	88.34
Regional UK	**68.91**	67.01	66.39
Continental Europe	**74.32**	77.09	72.35
USA	**75.38**	139.96	145.71
Asia	**59.98**	–	48.30
Australasia	**30.45**	–	31.63
Group	**67.04**	92.77	74.08
YIELD PER AVAILABLE ROOM (£)			
London	**76.39**	68.94	72.17
Regional UK	**49.27**	48.30	48.66
Continental Europe	**50.24**	49.70	46.09
USA	**51.18**	110.10	118.75
Asia	**40.43**	–	31.35
Australasia	**19.43**	–	19.71
Group	**46.32**	70.00	52.30
GROSS OPERATING PROFIT MARGIN (%)			
London	**54.0**	52.6	53.5
Regional UK	**38.8**	40.4	40.4
Continental Europe	**35.5**	26.2	27.2
USA	**33.4**	43.9	46.2
Asia	**39.0**	–	37.1
Australasia	**32.8**	–	32.9
Group	**38.3**	44.8	42.9

Gross Operating Profit is the Operating Profit of hotels before fixed charges of depreciation, property taxes, insurance and rent.

NOTE

The combined statistics for the Millennium Broadway and Millenium Hilton hotels in US $ are as follows:

	30 June 2000 6 months	30 June 1999 6 months	31 Dec 1999 12 months
OCCUPANCY (%)	**87.7**	78.7	81.5
AVERAGE ROOM RATE ($)	**230.24**	225.10	235.67
YIELD PER AVAILABLE ROOM ($)	**201.92**	177.15	192.07

Pro forma statistics

The statistics on page 15 include acquisitions from the date of acquisition only. In order to facilitate comparison between the periods we set out below pro forma statistics. These comparative figures are unaudited and are provided as a guide only to growth year on year.

	30 June 2000 6 months	30 June 1999 6 months	31 Dec 1999 12 months
OCCUPANCY %			
USA	**67.9**	66.8	66.4
Asia	**67.4**	65.4	66.4
Australasia	**63.8**	63.1	63.7
Group	**69.1**	67.5	68.0
AVERAGE ROOM RATE £			
USA	**75.38**	70.73	73.56
Asia	**59.98**	57.10	54.25
Australasia	**30.45**	32.05	31.14
Group	**67.04**	63.97	64.36
YIELD PER AVAILABLE ROOM £			
USA	**51.18**	47.25	48.84
Asia	**40.43**	37.34	36.02
Australasia	**19.43**	20.22	19.84
Group	**46.32**	43.18	43.76

Auditors' report

Independent review report by KPMG Audit Plc to Millennium & Copthorne Hotels plc

Introduction

We have been instructed by the company to review the financial information set out on pages 10 to 14 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

KPMG Audit Plc, Chartered Accountants
8 Salisbury Square, London EC4Y 8BB

11 August 2000

LONDON

Millennium Gloucester Hotel London Kensington
Millennium Bailey's Hotel London Kensington
Millennium Hotel London Knightsbridge
Millennium Britannia Hotel London Mayfair
Copthorne Tara Hotel London Kensington

REGIONAL UK

Millennium Madejski Hotel Reading
Millennium Hotel Glasgow
Copthorne Hotel Aberdeen
Copthorne Hotel Birmingham
Copthorne Hotel Cardiff Caerdydd
Copthorne Hotel Effingham Park Gatwick
Copthorne Hotel London Gatwick
Copthorne Hotel Manchester
Copthorne Hotel Merry Hill Dudley
Copthorne Hotel Newcastle
Copthorne Hotel Plymouth
Copthorne Hotel Slough Windsor

CONTINENTAL EUROPE

Millennium Hotel Paris Opéra
Copthorne Hotel Coquelles Calais
Copthorne Hotel Paris Charles de Gaulle
Copthorne Hotel Hannover
Copthorne Hotel Stuttgart International

UNITED STATES

Millennium Hotel New York Broadway
The Millenium Hilton New York
The Plaza New York
Regal UN Plaza Hotel New York
Regal Alaskan Hotel Anchorage
Regal Biltmore Hotel Los Angeles
Regal Bostonian Hotel Boston
Regal Cincinnati Hotel Cincinnati
Regal Harvest House Boulder
Regal Knickerbocker Hotel Chicago
Regal Maxwell House Hotel Nashville
Regal McCormick Ranch Resort and Villas Scottsdale
Regal Minneapolis Hotel Minneapolis
Regal Riverfront Hotel St Louis
Regal University Hotel Durham

UNITED STATES (continued)

Aurora Inn, Aurora
Clarion Fourwinds Resort and Marina Bloomington
Clarion Hotel Sacremento
Comfort Inn Salt Lake Airport International, Salt Lake City
Comfort Inn Val/Beaver Creek
Eldorado Santa Fe
Park Inn Bradenton
Pine Lake Trout Club Chagrin Falls
Quality Inn Garden of the Gods Colorado Springs
Quality Inn South Mountain Phoenix
Four Points Hotel Buffalo Airport
Four Points Hotel Lakeside Orlando
Sunnyvale Hilton, Sunnyvale
Travelodge Hotel Atlanta Airport
Wynfield Inn Main Gate Orlando
Wynfield Inn Westwood Orlando

UNITED STATES MANAGEMENT CONTRACTS

American Airlines Conference Center Fort Worth
Auburn University Hotel, Auburn
Comfort Inn & Suites College Park
Comfort Inn Herndon
Comfort Inn Piqua
Comfort Inn Alexandria
Comfort Inn Washington Falls Church
Comfort Suites Fort Lauderdale
Pleasanton Hilton at the Club, Pleasanton
Whittier Hilton, Whittier
Holiday Inn Express Baltimore
Holiday Inn Monrovia
The Madison Hotel Morristown
Radisson Ponce de Leon Golf & Conference Resort St Augustine
WISP Resort McHenry
Furama Los Angeles

ASIA

Orchard Hotel Singapore
Grand Copthorne Waterfront Hotel Singapore
Copthorne Kings Hotel Singapore
Copthorne Orchid Hotel Singapore
Copthorne Harbour View Hotel Singapore
Copthorne Orchid Hotel Penang
Millennium Hotel Sirih Jakarta
The Heritage Hotel Manila

ASIA (continued)

Grand Hyatt Hotel Taipei
Hilton International Hotel Seoul
Regent Hotel Kuala Lumpur
Hotel Nikko Hong Kong
JW Marriott Hotel Hong Kong

AUSTRALASIA

Millennium Hotel Christchurch
Millennium Hotel Queenstown
Millennium Hotel Rotorua
Millennium Hotel Sydney
Copthorne Hotel Auckland Anzac Avenue
Copthorne Hotel Auckland Harbour City
Copthorne Hotel & Resort Waitangi Bay of Islands
Copthorne Hotel Christchurch Central
Copthorne Hotel Christchurch Durham Street
Copthorne Hotel & Resort Solway Park Masterton
Copthorne Hotel & Resort Queenstown Lakefront
Copthorne Hotel & Resort Taupo Manuels
Copthorne Suites Hotel Tauranga Puriri Park
Copthorne Hotel Wellington Plimmer Towers
Quality Hotel Logan Park Auckland
Quality Hotel Rose Park Auckland
Quality Hotel Autolodge Paihia Bay of Islands
Quality Hotel Brydone Oamaru
Quality Hotel Autolodge Christchurch
Quality Hotel Commodore Christchurch Airport
Quality Hotel Dunedin
Quality Hotel Kings Greymouth
Quality Hotel Hamilton
Quality Hotel Whangarei
Quality Hotel Palmerston North
Quality Resort Terraces Queenstown
Quality Hotel Rotorua
Quality Hotel Te Anau
Quality Hotel Oriental Bay Wellington
Quality Hotel Willis Street Wellington

NON-HOTEL ASSETS

King's Tanglin Shopping Centre Singapore
Birkenhead Point Shopping Centre and residential property & marina Sydney
Development land New Zealand

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