



MILLENNIUM & COPTHORNE  
HOTELS plc



Interim Statement 2001

# Highlights

## Group results

- Turnover of £313.5 million (2000: £322.2 million)
- Operating profit of £69.3 million (2000: £76.4 million)
- Pre-tax profit of £46.2 million (2000: £53.6 million)
- Shareholders' funds at £1,547.1 million (31 December 2000: £1,468.6 million)
- Basic earnings per share of 11.8 pence per share (2000: 13.5 pence)
- Dividend per share at 4.2 pence per share (2000: 4.2 pence)

## We enter the second half of 2001 with a realistic view of the challenges and opportunities that lie ahead.

### Background

The first six months of 2001 were characterised by uncertainty in the world's leading economies, primarily emanating from the US. This resulted in many businesses reducing costs by deferring travel and related expenditure. Together with other operators, we experienced the impact of these conditions, particularly in the second quarter of this year. In addition, our results for the first half, which are set against a strong performance in exceptional conditions in the comparable period in 2000, also reflect the impact of the disruption arising from the substantial capital investment programme which was aimed to reposition many of the Group's hotels.

Our acquisition strategy has given us scale, which we believe is essential in a consolidating industry. The result is a well-diversified portfolio of upscale hotels which has reduced our reliance on particular markets. The Group's operating profit is now evenly distributed across three regions: the US, Europe and Asia-Pacific. The change in the balance of our portfolio is illustrated by the fact that our London and New York operations, which in 1998 contributed nearly 75%, today represent 40% of the total group operating profit.

### Results

Turnover in the first half for the Group was £313.5 million (2000: £322.2 million). Operating profit was £69.3 million (2000: £76.4 million), producing a pre-tax profit of £46.2 million (2000: £53.6 million). Basic earnings per share were 11.8p (2000: 13.5p). Shareholders' funds at 30 June 2001 were £1,547.1 million, with gearing of 49%, compared to 50% at the end of 2000.

Occupancy for the Group was 66.9% (2000: 69.1%). The average room rate increased by 11.2% to £74.53 (2000: £67.04), producing an increase in yield of 7.6% to £49.86 (2000: £46.32). The gross operating profit margin for the Group was 37.3% (2000: 38.3%).

### Dividend

The Board is recommending a maintained dividend for the first half of 4.2p (2000: 4.2p).

### Review of operations

#### *United States*

The US economy continued to soften, giving rise to cancellations and deferral of travel and related expenditure. As a result, trading conditions in the US have worsened. The effects of the slowdown in the US were most felt in New York where the Group has four hotels which

in 2001 generated approximately 20% of total group operating profit. However, it should be noted that in 1998, prior to the diversification of our portfolio, 36% of the total group operating profit was generated from New York, which demonstrates our reduced reliance on this market. Lower levels of activity in the investment community and corporate travel have contributed to a 20% fall in gross operating profit for the New York hotels, whereas our hotels outside New York suffered only a 5% fall in gross operating profit.

The performance of the US portfolio was also impacted by a number of specific factors. Firstly, we have continued to implement our major refurbishment programme in order to improve the positioning and potential of our hotels. This programme, which will represent a total investment of about \$79 million over two years, is now largely complete. We estimate the impact on revenue in the first half to be \$3.8 million. In addition, we rebranded the former Regal properties as Millennium, which has resulted in a \$1.6 million one-off profit and loss charge being incurred. Other factors were higher insurance premiums and energy costs, which rose by \$2.5 million, a combined increase of over 30%. Occupancy levels were also affected by the impact of serious civil unrest earlier this year in Cincinnati, in which the Group has a newly renovated 872 room property.

Occupancy for the region as a whole declined nearly 7 percentage points, similar to the drop experienced by other hotel companies across the US. Average room rate was £97.45, resulting in a 16.1% increase in yield to £59.44. We have benefited from our extensive refurbishment

programme. For instance, in New York City, following a \$5 million refurbishment, the UN Plaza is now beginning to show an encouraging increase in occupancy levels. Since the half-year end, we have also seen significant rate improvement in Minneapolis, Boulder and Los Angeles as a result of the completion of the refurbishment programme. Overall average room rate for the US division has also benefited from the disposal of nine of the lower rated limited service hotels, which were part of the original Regal portfolio. Margins declined to 31.7% largely due to the higher energy and insurance costs together with the rebranding expenses, mentioned above.

The substantial US presence we acquired with the purchase of the Regal hotels is an essential prerequisite to our becoming a truly global hotel owner and operator. In line with our stated strategy of investing in our assets to maximise their earnings potential, we have significantly improved our US portfolio, leaving us well positioned to face the continuing economic uncertainty and challenges of a highly competitive market.

#### *London*

As highlighted at the Group's Annual General Meeting in April 2001, the performance of the Group's London hotels has been impacted by a slowdown of inbound traffic into London resulting from the weaker business climate in the US. Continuing concern over foot-and-mouth disease also had a significant impact on inbound leisure and large group business.

Against this background the hotels performed well, achieving occupancy of 80.6% against 83.9% in the first half of 2000, which was an

exceptional year for London hotels. The quality of our London portfolio, which has been the subject of a targeted investment programme over the last two years, enabled us to maintain average room rate at £91.02 (2000: £91.05), producing yield per available room of £73.36 (2000: £76.39). However, lower occupancy, the complete renovation of the Millennium Knightsbridge restaurant and the consequent disruption to the hotel, resulted in a decline in gross operating profit margin to 51.9% (2000: 54.0%).

The major capital investment projects during the period were a bedroom refurbishment at the Millennium Gloucester and the redesign of the Millennium Knightsbridge restaurant, which was relaunched as MJU in April 2001.

#### *Regional UK*

The Regional UK properties have continued to perform well. The Group's regional hotels are mainly located in urban areas and therefore their performance was not materially impacted by concerns about foot-and-mouth disease.

The Millennium Glasgow continued to reap the benefit of the refurbishment programme and the repositioning of the hotel as a Millennium property, completed in May 2000. In addition, our Copthorne hotels achieved good growth with particular strong performances from our hotels in Aberdeen and Newcastle.

Overall occupancy for the region increased 2.3 percentage points to 73.8% (2000: 71.5%) and the average room rate by 4.5% to £71.99 (2000: £68.91) producing yield per available room of £53.13, an increase of 7.8% (2000: £49.27). The gross operating profit margin was 37.9% (2000: 38.8%).

#### *Continental Europe*

The Group's Continental European hotels performed well in the first half, largely driven by the strength of our hotels in France. The Millennium Paris Opéra traded well as it continues to build on its strong market position and prime location. The Copthorne Charles de Gaulle also achieved a strong performance.

In Germany, the Copthorne Hannover, which benefited from Expo 2000 last year, returned to more normal business levels and experienced the impact of increased competition in the region.

In our 2000 Annual Report and Accounts we stated that we were in negotiations to amend the financial and management arrangements for the Stuttgart Hotel and Leisure Complex following the insolvency and subsequent liquidation of our partner in the complex. The Group believes that the current rent is not commercial and has been trying to renegotiate the terms of the lease both by means of an arbitration process through the courts and through direct negotiation with the landlord. As part of these negotiations the Group has recently made available additional funding of £5.1 million to provide working capital to the Stuttgart operations. The whole process of renegotiating the terms is ongoing and, whilst there is no certainty that this will be successfully completed, the Board believes that the overall outcome will enable the Group to operate on a more favourable basis going forward.

Overall occupancy for the region declined by just over 2 percentage points to 65.4% (2000: 67.6%). However, average room rate grew 16.9% to £86.90, producing growth of 13.1% in yield per available room to £56.83 (2000: £50.24).

Further improvement was made to gross operating profit margins in both of our owned and managed hotels in France, giving an overall increase of 1.8 percentage points to 37.3% (2000: 35.5%).

#### *Asia*

In Asia, where we operate in seven different countries, we reported a mixed performance, reflecting the impact of different trading environments in individual economies.

Our key drivers of growth in South-East Asia, specifically the Singapore hotels and the Regent Kuala Lumpur, performed well. The Orchard Hotel and Harbour View in Singapore began to show the benefit of the extensive refurbishment works which have been carried out. Both hotels recorded improvements in occupancy, average room rates and gross operating profit margin. The other two owned hotels in Singapore also performed well and an increase in management fees was achieved from the Grand Copthorne Waterfront. Action has also been taken to reduce the cost base through the relocation and streamlining of the corporate offices and we expect to see the benefit of this in the second half.

Difficult economic environments in Jakarta and Penang continued to dampen earnings from our smaller hotels, the Millennium Sirih Jakarta and Copthorne Orchid Penang, although ongoing attention to contain costs helped to lessen the impact on the bottom-line.

In Hong Kong our hotels continue to perform entirely in line with expectations. In Manila the Heritage Hotel maintained its room revenue performance, although the food and beverage operations were hit by reduced usage from guests of the adjoining casino.

In North Asia, at the Grand Hyatt Taipei, which has nine restaurants, food and beverage revenue traditionally exceeds room revenue. Therefore, while room revenue increased significantly reflecting the quality and positioning of the hotel, economic uncertainty in Taiwan which affected local customers led to lower food and beverage sales.

The Seoul Hilton room revenue was broadly in line with last year. However, an increase in total labour costs and a fall in food and beverage revenue resulted in a reduction in overall operating profit. The Group will continue to work closely with the management to redress this situation.

Overall, occupancy for the region declined marginally to 65.6% (2000: 67.4%). However, we achieved good growth in average room rates to £66.34 (2000: £59.98) producing a yield per available room of £43.52, an increase of 7.6%. The gross operating profit margin declined to 38.4% (2000: 39.0%).

#### *Australasia*

Australasia performed well throughout the period. In Australia, occupancy at the Millennium Hotel Sydney recorded a good increase, although revenue declined slightly due to lower food and beverage revenues. In New Zealand, occupancy was up 5 percentage points despite the positive impact of the America's Cup in year 2000. This demonstrates that we have capitalised on the increase in visitor arrivals to New Zealand.

However, in the region as a whole, we have experienced the impact of some discounting which has resulted in a decline in average room rates to £28.34 (2000: £30.45). A programme

of cost savings has been implemented and the gross operating profit margin improved by 2 percentage points during the first half to 34.8% (2000: 32.8%).

The region also generates a significant proportion of its revenues from non-hotel operations. The retail centre in Sydney has performed well with occupancy of over 95%. CDL Investments, whose primary business is the sale of land, continues to perform satisfactorily and the residential development in Sydney, completed in December 2000, has been well received with the majority of units already sold.

#### *Management*

Following the period end, Gavin Simonds was appointed to the Board as Group Chief Financial Officer with effect from 1 September 2001. His track record in the international leisure sector, both in management and in corporate finance, equip him to make a significant contribution to the management of Millennium & Copthorne's business around the world. Gavin Simonds succeeds David Cook, who resigned in July after 13 years with the Group. We thank him for his valuable contribution to our development and wish him well for the future.

#### *Prospects*

We have now largely completed the refurbishment of our acquired hotels. Our well-balanced portfolio positions us to compete both within the current challenging climate and in the future. In addition, our previous experience of operating in unfavourable conditions has enhanced our ability to reduce costs without compromising our high standards and, most importantly, to continue to optimise revenue and increase market share.

Looking ahead, the outlook for the industry in the US and the UK continues to be challenging. We remain cautious on the prospects for the second half, which will depend on the economic environment in these and our other major markets.

We recognise that the hotel industry continues to be affected by a range of factors that depress business levels. Previously, the Group's trading pattern has been weighted towards the second half of the year. Provided that operating conditions do not deteriorate further, we expect this pattern to be maintained.

We enter the second half of 2001 with a realistic view of the challenges and opportunities that lie ahead.



*Kwek Leng Beng, Chairman*

30 August 2001

|   | 6 months<br>ended<br>30 June 2001<br>£m<br>unaudited | 6 months<br>ended<br>30 June 2001<br>£m<br>unaudited | 6 months<br>ended<br>30 June 2000<br>£m<br>unaudited | Year ended<br>31 Dec 2000<br>£m<br>audited |
|---|--|--|--|--|
| Turnover including share of joint ventures' turnover  | <b>376.6</b>   |  | 335.3  | 722.8                                      |
| Less share of turnover of joint ventures              | <b>(63.1)</b>  |  | (13.1)   | (31.9)                                     |
| Group turnover  |  | <b>313.5</b>   | 322.2  | 690.9                                      |
| Cost of sales   |  | <b>(134.0)</b>                                       | (132.6)  | (283.9)                                    |
| Gross profit  |  | <b>179.5</b>   | 189.6  | 407.0                                      |
| Administrative expenses                               |  | <b>(110.2)</b>                                       | (113.2)  | (235.5)                                    |
| Group operating profit                                |  | <b>69.3</b>  | 76.4   | 171.5                                      |
| Share of operating profits of joint ventures          |  | <b>7.5</b>   | 2.6  | 8.0  |
| Share of operating profits of associated undertakings |  | <b>0.5</b>   | 5.1  | 14.5                                       |
|   |  | <b>77.3</b>  | 84.1   | 194.0                                      |
| Interest payable less receivable                      |  |  |  |  |
| Group   |  | <b>(24.4)</b>  | (24.8)   | (51.2)                                     |
| Joint ventures  |  | <b>(6.2)</b>   | (1.9)  | (4.1)                                      |
| Associated undertakings                               |  | <b>(0.5)</b>   | (3.8)  | (9.6)                                      |
|   |  | <b>(31.1)</b>  | (30.5)   | (64.9)                                     |
| Profit on ordinary activities before taxation         |  | <b>46.2</b>  | 53.6   | 129.1                                      |
| Taxation  |  | <b>(8.1)</b>   | (11.5)   | (22.5)                                     |
| Profit on ordinary activities after taxation          |  | <b>38.1</b>  | 42.1   | 106.6                                      |
| Minority interests                                    |  | <b>(4.9)</b>   | (4.1)  | (13.5)                                     |
| Profit for the financial period                       |  | <b>33.2</b>  | 38.0   | 93.1                                       |
| Dividends paid and proposed                           |  | <b>(11.9)</b>  | (11.8)   | (35.2)                                     |
| Retained profit for the financial period              |  | <b>21.3</b>  | 26.2   | 57.9                                       |
| Basic earnings per share                              |  | <b>11.8p</b>   | 13.5p  | 33.0p                                      |
| Fully diluted earnings per share                      |  | <b>11.7p</b>   | 13.4p  | 33.0p                                      |
| Dividend per share                                    |  | <b>4.2p</b>  | 4.2p   | 12.5p                                      |

|  | <b>6 months<br/>ended<br/>30 June 2001<br/>£m<br/>unaudited</b> | 6 months<br>ended<br>30 June 2000<br>£m<br>unaudited | Year ended<br>31 Dec 2000<br>£m<br>audited |
|--|---|--|--|
| Profit for the financial period                            | <b>33.2</b>   | 38.0   | 93.1                                       |
| Gain on foreign currency translation                       | <b>56.4</b>   | 49.5   | 45.5                                       |
| Revaluation of fixed assets                                | –   | –  | 52.8                                       |
| Total gains relating to the financial period               | <b>89.6</b>   | 87.5   | 191.4                                      |
| Prior year adjustments                                     | –   | (8.3)  | (8.3)                                      |
| Total gains and losses recognised since last annual report | <b>89.6</b>   | 79.2   | 183.1                                      |

### Note of historical costs profits and losses

|  | <b>6 months<br/>ended<br/>30 June 2001<br/>£m<br/>unaudited</b> | 6 months<br>ended<br>30 June 2000<br>£m<br>unaudited | Year ended<br>31 Dec 2000<br>£m<br>audited |
|--|---|--|--|
| Reported profit on ordinary activities before taxation   | <b>46.2</b>   | 53.6   | 129.1                                      |
| Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount | <b>0.2</b>  | 0.2  | 0.4  |
| Historical cost profit on ordinary activities before taxation  | <b>46.4</b>   | 53.8   | 129.5                                      |
| Historical cost profit for the period retained after taxation, minority interests and dividends  | <b>21.5</b>   | 26.4   | 58.3                                       |

|   | 30 June 2001<br>£m<br>unaudited | 30 June 2000<br>£m<br>unaudited | 31 Dec 2000<br>£m<br>audited |
|---|---------------------------------|---------------------------------|------------------------------|
| Fixed assets  |                                 |                                 |                              |
| Tangible assets   | <b>2,335.5</b>                  | 2,203.3                         | 2,249.3                      |
| Investments in joint ventures                           |                                 |                                 |                              |
| <i>Share of gross assets</i>                            | <b>326.0</b>                    | 132.2                           | 312.7                        |
| <i>Share of gross liabilities</i>                       | <b>(172.7)</b>                  | (68.8)                          | (170.2)                      |
| <i>Minority interests</i>                               | <b>(27.3)</b>                   | (22.9)                          | (25.4)                       |
|   | <b>126.0</b>                    | 40.5                            | 117.1                        |
| Associates and trade investments                        | <b>21.8</b>                     | 55.1                            | 20.6                         |
|   | <b>2,483.3</b>                  | 2,298.9                         | 2,387.0                      |
| Current assets  |                                 |                                 |                              |
| Stocks  | <b>23.8</b>                     | 46.7                            | 26.6                         |
| Properties for resale                                   | <b>5.9</b>                      | 59.0                            | 13.9                         |
| Debtors   | <b>97.7</b>                     | 67.0                            | 102.4                        |
| Cash  | <b>97.6</b>                     | 135.1                           | 119.2                        |
|   | <b>225.0</b>                    | 307.8                           | 262.1                        |
| Creditors: amounts falling due within one year          |                                 |                                 |                              |
| Bank loans, overdrafts and finance lease obligations    | <b>(101.7)</b>                  | (73.7)                          | (113.4)                      |
| Other liabilities                                       | <b>(167.3)</b>                  | (133.3)                         | (190.4)                      |
|   | <b>(269.0)</b>                  | (207.0)                         | (303.8)                      |
| Net current (liabilities)/assets                        | <b>(44.0)</b>                   | 100.8                           | (41.7)                       |
| Total assets less current liabilities                   | <b>2,439.3</b>                  | 2,399.7                         | 2,345.3                      |
| Creditors: amounts falling due after more than one year |                                 |                                 |                              |
| Bank loans, overdrafts and finance lease obligations    | <b>(715.0)</b>                  | (791.3)                         | (702.6)                      |
| Other liabilities                                       | <b>(21.0)</b>                   | (52.9)                          | (19.2)                       |
|   | <b>(736.0)</b>                  | (844.2)                         | (721.8)                      |
| Provisions for liabilities and charges                  | <b>(4.0)</b>                    | (14.6)                          | (4.2)                        |
| Net assets  | <b>1,699.3</b>                  | 1,540.9                         | 1,619.3                      |
| Capital and reserves                                    |                                 |                                 |                              |
| Share capital   | <b>84.7</b>                     | 84.6                            | 84.6                         |
| Share premium   | <b>845.4</b>                    | 844.0                           | 844.7                        |
| Revaluation reserve                                     | <b>349.7</b>                    | 284.4                           | 341.4                        |
| Profit and loss account                                 | <b>267.3</b>                    | 174.4                           | 197.9                        |
| Shareholders' funds                                     | <b>1,547.1</b>                  | 1,387.4                         | 1,468.6                      |
| Minority interests – equity                             | <b>147.2</b>                    | 148.2                           | 145.6                        |
| Minority interests – non equity                         | <b>5.0</b>                      | 5.3                             | 5.1                          |
| Total capital employed                                  | <b>1,699.3</b>                  | 1,540.9                         | 1,619.3                      |

|  | 30 June 2001<br>£m<br>unaudited | 30 June 2000<br>£m<br>unaudited | 31 Dec 2000<br>£m<br>audited |
|--|---------------------------------|---------------------------------|------------------------------|
| <b>CASH FLOW STATEMENT</b>   |                                 |                                 |                              |
| Net cash inflow from operating activities                                | 97.0                            | 87.3                            | 199.1                        |
| Dividends received from associated undertakings/joint ventures           | 0.6                             | –                               | 1.6                          |
| Return on investments and servicing of finance                           | (26.4)                          | (27.5)                          | (59.3)                       |
| Taxation paid  | (3.4)                           | (13.3)                          | (20.1)                       |
| Capital expenditure and financial investment                             | (36.9)                          | (24.1)                          | (106.9)                      |
| Acquisitions and disposals   | –                               | (43.7)                          | 2.0                          |
| Equity dividends paid  | (23.5)                          | (18.0)                          | (29.8)                       |
|  | <hr/>                           | <hr/>                           | <hr/>                        |
| Cash inflow/(outflow) before use of liquid resources and financing       | 7.4                             | (39.3)                          | (13.4)                       |
|  | <hr/>                           | <hr/>                           | <hr/>                        |
| Management of liquid resources   | 3.4                             | (7.2)                           | 9.8                          |
|  | <hr/>                           | <hr/>                           | <hr/>                        |
| Financing  |                                 |                                 |                              |
| Net proceeds from the issue of shares and purchase of minority interests | 0.8                             | (0.2)                           | (0.5)                        |
| Net (decrease)/increase in debt and lease financing                      | (29.7)                          | 29.5                            | (11.7)                       |
|  | <hr/>                           | <hr/>                           | <hr/>                        |
|  | (28.9)                          | 29.3                            | (12.2)                       |
|  | <hr/>                           | <hr/>                           | <hr/>                        |
| Decrease in cash in the period   | (18.1)                          | (17.2)                          | (15.8)                       |

|  |         |         |         |
|--|---------|---------|---------|
| <b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>             |         |         |         |
| Decrease in cash in the period   | (18.1)  | (17.2)  | (15.8)  |
| Cash (inflow)/outflow from (decrease)/increase in liquid resources         | (3.4)   | 7.2     | (9.8)   |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | 29.7    | (29.5)  | 11.7    |
|  | <hr/>   | <hr/>   | <hr/>   |
| Change in net debt resulting from cash flows                               | 8.2     | (39.5)  | (13.9)  |
| Deferred finance costs   | 0.1     | 1.6     | 5.3     |
| Leases and debt financing acquired with subsidiaries                       | –       | (26.6)  | (26.6)  |
| Translation differences and other non-cash movements                       | (30.6)  | (31.7)  | (27.9)  |
|  | <hr/>   | <hr/>   | <hr/>   |
| Movement in net debt in the period   | (22.3)  | (96.2)  | (63.1)  |
| Net debt at the beginning of the period                                    | (696.8) | (633.7) | (633.7) |
|  | <hr/>   | <hr/>   | <hr/>   |
| Net debt at the end of the period  | (719.1) | (729.9) | (696.8) |

|   | <b>30 June 2001</b> | 30 June 2000 | 31 Dec 2000 |
|---|---------------------|--------------|-------------|
|   | <b>6 months</b>     | 6 months     | 12 months   |
|   | <b>£m</b>           | £m           | £m          |
| <b>GROUP TURNOVER</b>                                 |                     |              |             |
| USA   | <b>120.9</b>        | 132.9        | 281.1       |
| London  | <b>41.7</b>         | 44.4         | 92.8        |
| Regional UK   | <b>27.5</b>         | 25.7         | 54.1        |
| Continental Europe                                    | <b>9.4</b>          | 8.8          | 18.4        |
| Asia  | <b>85.2</b>         | 86.3         | 178.1       |
| Australasia   | <b>28.8</b>         | 24.1         | 66.4        |
| Group   | <b>313.5</b>        | 322.2        | 690.9       |
| <b>OPERATING PROFIT</b>                               |                     |              |             |
| USA   | <b>24.8</b>         | 29.6         | 70.8        |
| London  | <b>15.7</b>         | 17.7         | 40.2        |
| Regional UK   | <b>7.1</b>          | 6.6          | 13.2        |
| Continental Europe                                    | <b>1.8</b>          | 1.3          | 3.3         |
| Asia  | <b>21.0</b>         | 23.0         | 45.3        |
| Australasia   | <b>4.9</b>          | 4.1          | 11.3        |
| Group   | <b>75.3</b>         | 82.3         | 184.1       |
| Central costs and other items                         | <b>(6.0)</b>        | (5.9)        | (12.6)      |
| <b>GROUP OPERATING PROFIT</b>                         | <b>69.3</b>         | 76.4         | 171.5       |
| Share of operating profits of joint ventures          | <b>7.5</b>          | 2.6          | 8.0         |
| Share of operating profits of associated undertakings | <b>0.5</b>          | 5.1          | 14.5        |
| Interest payable less receivable                      | <b>(31.1)</b>       | (30.5)       | (64.9)      |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>  | <b>46.2</b>         | 53.6         | 129.1       |

- 1 **Date of approval** These interim statements were approved by the directors on 30 August 2001. 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 2000. The 2000 figures are based upon statutory accounts for that year which have been filed with the Registrar of Companies and contain an unqualified audit report.
- 3 **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 joint ventures are included in the consolidated profit and loss account and balance sheet under the equity method of accounting.
- 4 **Tax** A tax charge has been accrued to reflect the estimated effective tax rate for the full year.
- 5 **Dividends** The interim dividend of 4.2p per share will be paid on 12 October 2001 to shareholders on the register as at close of business on 14 September 2001. The ex-dividend date for the shares will be 12 September 2001.
- 6 **Earnings per share** The basic earnings per share of 11.8p (2000: 13.5p) are based on earnings of £33.2 million (2000: £38.0 million) and a weighted average number of shares in issue of 282.2 million (2000: 281.9 million) being the average number of shares in issue during the period. Fully diluted earnings per share of 11.7p (2000: 13.4p) are based on a weighted average number of shares in issue of 283.3 million (2000: 282.2 million) being the average number of shares in issue during the period adjusted for the exercise of share options.

## 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 6 to 11 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 2000/4: 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 2001.

|  | <b>30 June 2001<br/>6 months</b> | 30 June 2000<br>6 months | 31 Dec 2000<br>12 months |
|--|----------------------------------|--------------------------|--------------------------|
| <b>OCCUPANCY (%)</b>   |                                  |                          |                          |
| USA  | <b>61.0</b>                      | 67.9                     | 67.8                     |
| London   | <b>80.6</b>                      | 83.9                     | 85.7                     |
| Regional UK  | <b>73.8</b>                      | 71.5                     | 74.1                     |
| Continental Europe   | <b>65.4</b>                      | 67.6                     | 69.8                     |
| Asia   | <b>65.6</b>                      | 67.4                     | 68.9                     |
| Australasia  | <b>68.5</b>                      | 63.8                     | 64.4                     |
| Group  | <b>66.9</b>                      | 69.1                     | 69.9                     |
| <b>AVERAGE ROOM RATE (£)</b>   |                                  |                          |                          |
| USA  | <b>97.45</b>                     | 75.38                    | 83.90                    |
| London   | <b>91.02</b>                     | 91.05                    | 93.63                    |
| Regional UK  | <b>71.99</b>                     | 68.91                    | 68.48                    |
| Continental Europe   | <b>86.90</b>                     | 74.32                    | 78.66                    |
| Asia   | <b>66.34</b>                     | 59.98                    | 62.15                    |
| Australasia  | <b>28.34</b>                     | 30.45                    | 30.02                    |
| Group  | <b>74.53</b>                     | 67.04                    | 71.22                    |
| <b>YIELD PER AVAILABLE ROOM (£)</b>  |                                  |                          |                          |
| USA  | <b>59.44</b>                     | 51.18                    | 56.88                    |
| London   | <b>73.36</b>                     | 76.39                    | 80.24                    |
| Regional UK  | <b>53.13</b>                     | 49.27                    | 50.74                    |
| Continental Europe   | <b>56.83</b>                     | 50.24                    | 54.90                    |
| Asia   | <b>43.52</b>                     | 40.43                    | 42.82                    |
| Australasia  | <b>19.41</b>                     | 19.43                    | 19.33                    |
| Group  | <b>49.86</b>                     | 46.32                    | 49.78                    |
| <b>GROSS OPERATING PROFIT MARGIN (%)</b>   |                                  |                          |                          |
| USA  | <b>31.7</b>                      | 33.4                     | 35.7                     |
| London   | <b>51.9</b>                      | 54.0                     | 55.0                     |
| Regional UK  | <b>37.9</b>                      | 38.8                     | 38.1                     |
| Continental Europe   | <b>37.3</b>                      | 35.5                     | 36.4                     |
| Asia   | <b>38.4</b>                      | 39.0                     | 39.4                     |
| Australasia  | <b>34.8</b>                      | 32.8                     | 33.6                     |
| Group  | <b>37.3</b>                      | 38.3                     | 39.5                     |
| Gross Operating Profit is the Operating Profit of hotels before fixed charges of depreciation, property taxes, insurance and rent. |                                  |                          |                          |

## LONDON

Millennium Gloucester Hotel Kensington  
 Millennium Bailey's Hotel Kensington  
 Millennium Hotel Knightsbridge  
 Millennium Hotel Mayfair  
 Millennium Tara Hotel 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 Paris Charles de Gaulle  
 Copthorne Hotel Coquelles Calais  
 Copthorne Hotel Hannover  
 Copthorne Hotel Stuttgart International

## UNITED STATES

Millennium Hotel New York Broadway  
 Millennium Hotel New York United Nations  
 Millennium Biltmore Hotel Los Angeles  
 Millennium Bostonian Hotel Boston  
 Millennium Hotel Cincinnati  
 Millennium Hotel Anchorage  
 Millennium Hotel Boulder  
 Millennium Hotel Minneapolis

## UNITED STATES (continued)

Millennium Hotel Nashville  
 Millennium Hotel Raleigh Durham  
 Millennium Hotel St Louis  
 Millennium Knickerbocker Hotel Chicago  
 Millennium McCormick Ranch Resort  
 Scottsdale  
 The Millenium Hilton, New York  
 The Plaza, New York  
 Comfort Inn, Salt Lake Airport International,  
 Utah  
 Comfort Inn, Vail/Beaver Creek, Colorado  
 Eldorado, New Mexico  
 Park Inn, Florida  
 Pine Lake Trout Club, Ohio  
 Four Points Hotel, Buffalo Airport, New York  
 Sunnyvale Four Points, California

## ASIA

Orchard Hotel Singapore  
 Grand Copthorne Waterfront Hotel Singapore  
 Copthorne King's Hotel Singapore  
 Copthorne Orchid Hotel Singapore  
 Harbour View Hotel Singapore  
 Copthorne Orchid Hotel Penang  
 Millennium Hotel Sirih Jakarta  
 The Heritage Hotel Manila  
 Grand Hyatt Taipei  
 The Seoul Hilton  
 The Regent Kuala Lumpur  
 Hotel Nikko Hong Kong  
 JW Marriott Hotel Hong Kong

## AUSTRALASIA

Millennium Hotel Christchurch  
 Millennium Hotel Queenstown  
 Millennium Hotel Rotorua

## AUSTRALASIA (continued)

Millennium Hotel Sydney  
 Copthorne Hotel Auckland Aztec Avenue  
 Copthorne Hotel Auckland HarbourCity  
 Copthorne Hotel & Resort Bay of Islands  
 Copthorne Hotel Christchurch Central  
 Copthorne Hotel Christchurch Durham Street  
 Copthorne Hotel & Resort Masterton  
 Solway Park  
 Copthorne Hotel & Resort Queenstown  
 Lakefront  
 Copthorne Hotel & Resort Taupo Manuels  
 Copthorne Hotel Wellington Pimmer Towers  
 Quality Hotel Logan Park Auckland  
 Quality Hotel Rose Park Auckland  
 Quality Hotel Autolodge Paihai  
 Bay of Islands  
 Quality Hotel Brydon 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 Shopping Centre and residential  
 property and marina, Sydney  
 Development Land, New Zealand

