

7 August 2003

**MILLENNIUM & COPTHORNE HOTELS PLC
RESULTS FOR THE SIX MONTHS ENDED
30 JUNE 2003**

Millennium & Copthorne Hotels plc today presents its results for the six months ended 30 June 2003.

Group results

- Group turnover £243.0m (2002: £283.8m)
- Group operating profit £15.5m (2002: £44.2m)
- Net profit on sale of fixed assets £0.4m (2002: £nil), principally:
 - Profit of £6.1m on sale of non-core assets in London and China
 - Provision of £4.8m against a loan note receivable on a hotel disposal in Florida, USA
- Pre-tax loss £6.3m (2002: profit of £25.6m)
- Loss per share 2.2p (2002: Earnings per share of 4.6p)
- Interim dividend maintained at 4.2p per share (2002: 4.2p)

Operational overview

- Ongoing tight control on costs
- Asian business improving following the containment of SARS
- Improvement in trading in the United States and Europe since the end of the war in Iraq
- Millennium Hilton in New York performing well following reopening in May

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

“Today’s results reflect the significant impact of the war in Iraq and the outbreak of SARS on the industry. I am glad to note that both the war and the SARS epidemic, which lasted a shorter period than anticipated, are over now. I believe that the hotel industry, barring circumstances beyond its control, is on the road to recovery – with growing occupancies to be followed by better rates.

“There are relatively few new hotels being built and we remain confident that our ownership of quality assets in key gateway cities makes us uniquely placed to benefit from the continued improvement in trading.”

MILLENNIUM & COPTHORNE HOTELS PLC
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

OVERVIEW

On 21 May 2003 we provided a quarterly trading update in which we emphasised that the build up to the war in Iraq and the subsequent conflict had a severe impact on our results. The effect of the Iraq conflict was compounded by the SARS outbreak in the second half of March which significantly affected our operations in Asia. The virus had a major impact from the third week in March through until mid-June and in the second quarter we saw a dramatic fall in occupancy in our Asian properties.

Since the cessation of major hostilities in early May, there has been an on-going improvement in the business environment in Europe and the USA from the low point of April. The SARS outbreak has now been contained and all countries in the Asia region have now been declared SARS free by the World Health Organisation. In addition, governments in the region are investing substantial resources in promoting tourism to their countries and business is improving gradually. We are beginning to see a quicker return of corporate customers in Asia than anticipated while we note the leisure market is coming back more gradually.

The Millenium Hilton in New York has been closed since 11 September 2001. The hotel was reopened in May and all of the rooms are now available. The property is rapidly regaining its market share position and has had an average occupancy during the opening period in excess of 70%.

Although the trading performance of the hotel since it reopened has been better than expected, it incurred a net loss of US\$11.3m (£7.0m) in the first half of 2003 due to on-going fixed expenses, pre-opening costs and legal fees, compared to a net profit of US\$4.5m (£3.1m) in 2002. This is reported as other operating expenses. We expect the hotel to return to profitability during the second half of 2003.

We have taken strong action to mitigate the effects of these challenging market conditions. Throughout the period we remained committed to maintaining our position in the marketplace by driving sales at a local level. Our cost base was further reduced by reorganising certain functions in the business, redundancies and restricting expenses. We also maintained a tight control on capital expenditure.

The Group has considerable financial strength and, notwithstanding the impact on the Group of the Iraq conflict and the SARS virus, the Group has net assets of £1.4bn (30 June 2002: £1.5bn) and gearing stands at 54% (30 June 2002: 49%).

For the six months to 30 June 2003 we incurred a pre tax loss of £6.3m (2002: profit of £25.6m). The loss per share was 2.2p (2002: earnings of 4.6p). Notwithstanding this loss we are maintaining the interim dividend at 4.2p per share (2002: 4.2p per share). We will continue to keep our cash resources under close review in these uncertain times.

REVIEW OF OPERATIONS

Group performance

Our turnover for the first six months of 2003 was £243.0m (2002: £283.8m). Group operating profit was £15.5m (2002: £44.2m). Occupancy for the Group (including the Millenium Hilton) was 61.1% (2002: 66.3%) and the average room rate was £60.74 (2002: £67.26) resulting in a RevPAR of £37.11 (2002: £44.59). The Group GOP margin was 27.5% (2002: 34.5%).

In order to assist the understanding of our key operating statistics we are presenting “like for like” statistics in constant currency. These are set out in the appendix.

On this like for like (LFL) basis, with constant rates of exchange, occupancy was 61.0% (2002: LFL 65.9%) and the average room rate was 7.6% down at £60.38 (2002: LFL £65.36) resulting in a RevPAR of £36.83 (2002: LFL £43.07).

Our performance takes into account a profit on the sale of fixed assets of £0.4m which principally comprises two items:

- the previously reported disposal of non-core assets; a staff hostel in London and a partly built hotel in China. The combined net profit on these sales was £6.1m.
- a provision against a loan note on a hotel in Florida sold as part of the disposal programme following the Regal acquisition. Part of the consideration was in the form of a loan note to the Group secured on the property. The purchaser has now filed for protection from bankruptcy under Chapter 11 and the Group has therefore decided that it is prudent to make a provision of £4.8m against the loan note.

UNITED STATES

New York

Occupancy for the region was maintained at 82.6% (2002: LFL 82.6%). However, the average rate was £96.20 (2002: LFL £108.42) and the resultant RevPAR was £79.46 (2002: LFL £89.55).

Our occupancy has remained high, despite the severe winter weather in February and the Iraq conflict, because we have consistently followed a policy of driving volume through tactical marketing.

The Millenium Hilton re-opened on 5 May as a “brand new” hotel following US\$35m of capital expenditure. The rooms were brought into service on a rolling basis and all rooms are now available. It is now the landmark hotel of the financial district and is performing ahead of our expectations.

The legal action with the insurance company has not been settled and we have therefore not recognised any business interruption income from this hotel in 2003. In the event that the dispute is settled and further insurance proceeds are forthcoming, we will book them on a received basis. The court hearing is currently scheduled for October 2003.

We are now seeing a number of external stimulants to the hotel industry in New York City: flights are relatively cheap as the airlines try to attract business, the Iraq war is over and people are more comfortable to travel as they become accustomed to increased levels of airport security. Our expectation is that the relatively high occupancy levels will eventually stimulate increases in average rates.

Regional US

The occupancy for the region improved to 54.6% (2002: LFL 51.2%). The average rate was £58.99 (2002: LFL £66.63) and the resultant RevPAR was £32.21 (2002: LFL £34.11).

Overall the performance of the region's hotels was encouraging, given the difficult circumstances in which they were operating. Significant rises in occupancy offset the pressure on average rates to produce an increased RevPAR in the first quarter, although the second quarter was more difficult as trading was affected by the war in Iraq and SARS, particularly in Los Angeles which is a gateway from Asia.

Whilst US domestic air travel volumes are still lower than in 2002, the position is improving as business demand strengthens and internal travellers become accustomed to the increased levels of security at airports. In June and July we have seen some encouraging trends in the regional US market both in terms of improved occupancy and rate at certain of our hotels. We completed our extensive refurbishment of these properties in mid 2001 and, now that there are clear signs of recovery in the regional US market, we are seeing the benefits of our investment.

On 31 March 2003 we acquired the remaining 60% of the share capital held by the limited partners in The Sunnyvale Four Points Hotel, California for a net consideration of US\$4.2m (£2.6m). This 378 room hotel is now wholly owned by the Group and will give us greater flexibility going forward.

EUROPE

London

The occupancy for the region was 74.5% (2002: LFL 81.8%). The average rate was £73.63 (2002: LFL £79.48) and the resultant RevPAR was £54.85 (2002: LFL £65.01).

The London hotel market has been difficult for some time because, although volume remains high, there is continued pressure on average rates. The first half of 2003 saw in-bound business from the United States further reduced and the SARS virus curtailed the number of visitors from Asia in the second quarter. In spite of these factors we have continued with our policy of making tactical price reductions rather than wholesale cuts.

Our results in this region are being significantly affected by the Copthorne Tara in Kensington. The hotel lost 16,000 aircrew room nights in the first half of 2003 as a consequence of the reduced numbers of flights to and from the UK. Some of these were replaced by tour groups who, in turn, are also negotiating lower rates as the group travel market remains highly competitive. We believe that the worst is now behind us as flight schedules revert gradually back to previous levels.

Our food and beverage revenue was given a significant boost by the opening of Brian Turner's restaurant at the Millennium Hotel London Mayfair in April. Brian Turner's unique style of cuisine is attracting significant new business into the restaurant and hotel.

Rest of Europe

The occupancy for the region was 68.4% (2002: LFL 67.7%). The average rate was £68.31 (2002: LFL £72.63) and the resultant RevPAR was £46.72 (2002: LFL £49.17). Whilst occupancies are being maintained at 2002 levels we are still seeing some pressure on rate, although not to the same degree as in other regions.

Provincial UK business levels are less affected by air travel and occupancies improved marginally, although our two hotels near Gatwick airport continue to experience pressure on RevPAR. The leisure market in Provincial UK is very price sensitive and the market has seen a number of special offers which have had the effect of reducing our average rate for these hotels by 6.7%.

Our Paris hotels saw a combined fall in RevPAR of £5.68, due largely to the oversupply at Charles de Gaulle airport which has affected our Millennium hotel there. The Millennium Paris Opera is trading well in a difficult market. The RevPAR of our two properties in Germany remained approximately the same as in 2002 and the operating loss in our German hotels was £1.8m (2002: £1.8m).

ASIA

The occupancy for the region was 48.0% (2002: LFL 66.2%). The average rate was £52.79 (2002: LFL £59.22) and the resultant RevPAR was £25.34 (2002: LFL £39.20).

The SARS virus had a major effect on Singapore and Hong Kong from the second half of March and other countries, such as Taiwan, were not affected until April. The impact of both the war and SARS were mitigated by cost cutting measures such as a shorter working week for staff, moth-balling of guest rooms and the closure of unprofitable outlets. It is encouraging to report that business levels in the Asia region are clearly recovering, although the leisure market is still feeling the effects of SARS.

In Singapore, occupancies are now starting to recover from the effect of SARS. At the height of the epidemic they were running at around 25% but improved to nearly 44% in June and we have re-opened floors that were closed during the SARS crisis. RevPAR from 1 April to 30 June dropped 54% compared to the first quarter and GOP fell by 64%. We are beginning to see the return of corporate customers and, although room rates remain under pressure, we expect to see upward movements once occupancies return to more normal levels.

Prior to the SARS outbreak we were in the process of completely refurbishing The Kings Hotel Singapore. However, as a result of SARS, we felt it prudent to delay some of the capital expenditure until trading conditions improved. We now expect to complete the work by the year end.

In the first quarter the Grand Hyatt Taipei was our best performing Asian hotel with a 4% increase in RevPAR. However, the SARS virus affected the second quarter performance significantly and we are only now beginning to see a recovery in the position. Taiwan was impacted by SARS later than most other Asian countries and, although it will therefore be one of the last to recover, it is doing so quickly. Rooms revenue in the second quarter fell by 74% and food and beverage revenue was down 46%. RevPAR at the hotel in the month of July was down by 14% compared to a 79% fall in June. Given the quality of this property we are confident that it will return to the business levels previously experienced and the outlook for the remainder of 2003 at this property is more encouraging, particularly for the banqueting business in the last quarter.

Given that South Korea was not affected by SARS, we are disappointed with the performance of our hotel in Seoul. Volumes and average rates have reduced due, in part, to a decline in intra-regional travel, particularly from Japan. We are beginning to see more intra-regional travel to Seoul.

Our two properties in Hong Kong were our worst affected assets during April and May but occupancies have improved in June and July.

AUSTRALASIA

The occupancy for the region was 68.4% (2002: LFL 70.7%). The average rate was £36.29 (2002: LFL £34.70) and the resultant RevPAR was £24.82 (2002: LFL £24.53).

We remain very pleased with the performance of our New Zealand properties which have increased their RevPAR by 1.2%, despite a fall in the number of in-bound Asian visitors following the SARS epidemic.

The Millennium Sydney has now closed and the conversion of one of the towers to residential accommodation has begun. Early sales of the apartments progressed well and we had expressions of interest on over half of them before the hotel closed. However, in the wake of SARS, we had a number of cancellations. We are now encouraged by the pick up in sales again, following the containment of the virus. We are continuing to evaluate our options regarding the second tower.

Our retail centres in Sydney continue to perform well and we have seen good results from our land redevelopment business in New Zealand.

CURRENT TRADING AND PROSPECTS

The first six months of 2003 has been particularly difficult for the Group. The build-up to and the subsequent conflict in Iraq was accompanied by the dramatic effect of SARS in Asia. The Group has continued to drive sales at our hotels and maintain a sharp focus on our costs.

Group RevPAR for the month of July was 8% down compared to 2002. We are making steady progress in all of our regions, particular in Asia where airlines are reinstating flights cancelled during the SARS epidemic, intra-regional travel is rising and economic growth expectations are improving.

However, the market remains challenging and in the medium term we retain our conservative outlook, but expect the Group to return to profit in the second half of the year.

There are relatively few new hotels being built and we remain confident that our ownership of quality assets in key gateway cities makes us uniquely placed to benefit from the continued improvement in trading.

Our next trading update will be in November when we will announce the trading results for the third quarter.

Kwek Leng Beng
Chairman
7 August 2003

REVIEW OF FINANCE

Results

The total turnover for the six months was £268.7m (2002: £320.2m) including £25.7m (2002: £36.4m) as a share of the turnover of joint ventures. The Group operating profit was £15.5m (2002: £44.2m).

Joint ventures and associates

The share of operating profits of joint ventures and associates for the six months were £0.6m (2002: £5.2m) and £nil (2002: £0.2m) respectively. The reduction in the share of operating profit principally reflects the effect of the Iraq war and the SARS virus on these hotels.

Gain on sale of fixed assets

This is comprised of:

- a £6.1m profit on sale of a staff hostel in London and a partly built hotel in China;
- a £4.8m provision against a loan note on a hotel in Florida sold as part of the disposal programme following the Regal acquisition. Part of the consideration was in the form of a loan note to the Group secured on the property. The purchaser has now filed for protection from bankruptcy under Chapter 11 and the Group has therefore decided that it is prudent to make this provision;
- £0.9m of other losses on disposal.

Interest

Group total interest receivable and similar income was £2.2m (2002: £4.7m). Total interest payable was £25.0m (2002: £28.7m).

The Group interest payable (excluding joint ventures and associates) was £22.4m (2002: £25.2m). The reduction in interest payable compared to last year is largely as a result of lower average interest rates during the period.

Of the total interest payable, £2.6m (2002: £3.3m) was in respect of the Group's share of the interest payable by joint ventures and £nil (2002: £0.2m) was in respect of the Group's share of the interest payable by associated undertakings. The total interest payable for associates and joint ventures reduced as a result of the reduction of prevailing interest rates in the US and Hong Kong.

The total net interest cost for the year was £22.8m (2002: £24.0m), which was covered 0.7 times (2002: 2.1 times) by profits, including our share of operating profits of joint ventures and associated undertakings, of £16.1m (2002: £49.6m).

The Group (excluding joint ventures and associates) has fixed and variable rate interest hedging arrangements on US dollar loans outstanding at 30 June of US\$526m. These US\$ hedging arrangements were entered into in September 2000. They have a blended cost of 6.8% compared to 2.7% if no such arrangements were in place. The increased annual cost is approximately £13m. This arrangement will cease in December 2005 when the interest rate will become US Federal rate plus between 150 and 200 basis points. The other group loans have a blended cost of approximately 4.6%.

Taxation

The effective rate of taxation for the period is 25.4% (Full year 2002: 23.9%) and we are reporting a tax credit of £1.6m (six months to 30 June 2002: charge of £7.3m).

Capital expenditure

The cash outflow on capital expenditure for the period was £20.5m (2002: £12.4m), of which £11.6m (2002: £1.1m) related to the refurbishment of the Millenium Hilton. Our already well maintained portfolio and the completion of a number of major capital programmes in earlier years have meant that we have been able to reduce our capital spending without having an adverse effect on the business. We anticipate that our expenditure for the year, including that amount spent on the Millenium Hilton of US\$25m, will be around £30m.

Dividends and earnings per share

The directors are proposing an interim dividend of 4.2p per share (2002: 4.2p). The interim dividend will be paid on 8 October 2003 to shareholders on the register as at close of business on 22 August 2003. For the first time the Group will be offering shareholders the option of a scrip dividend.

The basic loss per share was 2.2p (2002: earnings per share of 4.6p).

Acquisition of Four Points Sunnyvale

On 31 March 2003 we acquired the remaining 60% of the share capital held by limited partners in The Sunnyvale Four Points Hotel, California for a net consideration of US\$4.2m (£2.6m). The preliminary fair value of the net assets acquired was US\$24.5m. The acquisition was funded from existing cash resources and the drawdown of US\$20.3m of additional debt.

This 378 room hotel is now wholly owned by the Group.

Treasury

The net borrowings of the Group, as at 30 June 2003, were £712.2m (31 December 2002: £675.5m). The movement in borrowings reflects an increase in underlying net debt of £31.7m, debt of £12.6m acquired on the purchase of the Four Points Sunnyvale and underlying currency movements.

Cash flow and gearing

Net cash inflow from operations was £30.6m (2002: £59.7m). There was an overall net decrease in cash of £31.6m (2002: decrease of £14.7m), which, together with an increase of £8.5m in short term deposits, gives rise to cash balances at 30 June 2003 of £32.7m (2002: £62.5m).

The Group gearing as at 30 June 2003 was 54% (30 June 2002: 49%).

David Thomas
Group Finance Director
7 August 2003

Appendix

Consolidated profit and loss account

	6 months ended 30 June 2003 £m Unaudited	6 months ended 30 June 2002 £m Unaudited	Year ended 31 December 2002 £m Audited
TURNOVER			
Group and share of joint ventures	268.7	320.2	641.1
Less share of turnover of joint ventures	<u>(25.7)</u>	<u>(36.4)</u>	<u>(73.6)</u>
GROUP TURNOVER	243.0	283.8	567.5
Cost of sales	<u>(113.7)</u>	<u>(126.6)</u>	<u>(252.1)</u>
GROSS PROFIT	129.3	157.2	315.4
Administrative expenses	<u>(106.8)</u>	<u>(116.1)</u>	<u>(225.6)</u>
Other operating (expense)/income	<u>(7.0)</u>	<u>3.1</u>	<u>6.5</u>
GROUP OPERATING PROFIT	15.5	44.2	96.3
Share of operating profits of joint ventures	0.6	5.2	12.2
Share of operating profits of associated undertakings	-	<u>0.2</u>	<u>0.4</u>
TOTAL OPERATING PROFIT	16.1	49.6	108.9
Profit on sale of fixed assets	0.4	-	-
Interest payable less receivable			
Group	<u>(20.2)</u>	<u>(20.5)</u>	<u>(41.8)</u>
Joint ventures	<u>(2.6)</u>	<u>(3.3)</u>	<u>(6.5)</u>
Associated undertakings	-	<u>(0.2)</u>	<u>(0.4)</u>
	<u>(22.8)</u>	<u>(24.0)</u>	<u>(48.7)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(6.3)	25.6	60.2
Tax on (loss)/profit on ordinary activities	<u>1.6</u>	<u>(7.3)</u>	<u>(14.4)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(4.7)	18.3	45.8
Minority interests - equity	<u>(1.6)</u>	<u>(5.3)</u>	<u>(7.8)</u>
(Loss)/profit for the financial period	(6.3)	13.0	38.0
Dividends paid and proposed	<u>(11.9)</u>	<u>(11.9)</u>	<u>(35.3)</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD	<u>(18.2)</u>	<u>1.1</u>	<u>2.7</u>
Basic (loss)/earnings per share	(2.2p)	4.6p	13.4p
Diluted (loss)/earnings per share	(2.2p)	4.6p	13.4p
Dividends per share	4.2p	4.2p	12.5p

Consolidated statement of total recognised gains and losses

	6 months ended 30 June 2003 £m Unaudited	6 months ended 30 June 2002 £m Unaudited	Year ended 31 December 2002 £m Audited
(Loss)/profit for the financial period	(6.3)	13.0	38.0
Loss on foreign currency translation	(17.2)	(20.4)	(62.6)
Deficit on revaluation of fixed assets	=	<u>(2.0)</u>	<u>(0.3)</u>
Total gains and losses relating to the financial period	(23.5)	(9.4)	(24.9)
Prior year adjustment	=	<u>(62.5)</u>	<u>(62.5)</u>
Total gains and losses recognised since last annual report	<u>(23.5)</u>	<u>(71.9)</u>	<u>(87.4)</u>

Note of historical cost profits and losses

	6 months ended 30 June 2003 £m Unaudited	6 months ended 30 June 2002 £m Unaudited	Year ended 31 December 2002 £m Audited
Reported (loss)/profit on ordinary activities before taxation	(6.3)	25.6	60.2
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	<u>0.2</u>	<u>0.2</u>	<u>0.5</u>
Historical cost (loss)/profit on ordinary activities before taxation	<u>(6.1)</u>	<u>25.8</u>	<u>60.7</u>
Historical cost (loss)/profit for the period retained after taxation, minority interests and dividends	<u>(18.0)</u>	<u>1.3</u>	<u>3.2</u>

Consolidated balance sheet

	30 June 2003 £m Unaudited	30 June 2002 £m Unaudited	31 December 2002 £m Audited
FIXED ASSETS			
Tangible assets	2,178.9	2,263.0	2,185.4
Investments in joint ventures			
Share of gross assets	273.5	300.5	288.1
Share of gross liabilities	(192.3)	(215.0)	(205.1)
Share of minority interests	(20.5)	(21.4)	(21.2)
Loans to joint ventures	<u>35.8</u>	<u>38.9</u>	<u>36.1</u>
	96.5	103.0	97.9
Investment in associated undertakings	1.4	5.1	6.2
Investments	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>
	<u>98.4</u>	<u>108.4</u>	<u>104.4</u>
	<u>2,277.3</u>	<u>2,371.4</u>	<u>2,289.8</u>
CURRENT ASSETS			
Stocks	15.1	17.8	15.7
Debtors falling due within one year	68.3	70.9	75.6
Debtors falling due after more than one year	<u>2.1</u>	<u>9.0</u>	<u>2.0</u>
	70.4	79.9	77.6
Cash and short term deposits	<u>32.7</u>	<u>62.5</u>	<u>59.1</u>
	118.2	160.2	152.4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans, overdrafts and finance lease obligations	(88.4)	(189.9)	(115.8)
Other liabilities	<u>(146.8)</u>	<u>(179.9)</u>	<u>(176.4)</u>
	<u>(235.2)</u>	<u>(369.8)</u>	<u>(292.2)</u>
NET CURRENT LIABILITIES	<u>(117.0)</u>	<u>(209.6)</u>	<u>(139.8)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,160.3</u>	<u>2,161.8</u>	<u>2,150.0</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Bank loans, overdrafts and finance lease obligations	(656.5)	(551.7)	(618.8)
Other liabilities	<u>(13.2)</u>	<u>(17.3)</u>	<u>(15.2)</u>
	<u>(669.7)</u>	<u>(569.0)</u>	<u>(634.0)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	<u>(54.5)</u>	<u>(47.9)</u>	<u>(49.7)</u>
NET ASSETS	<u>1,436.1</u>	<u>1,544.9</u>	<u>1,466.3</u>
CAPITAL AND RESERVES			
Called up share capital	84.8	84.8	84.8
Share premium account	845.6	845.6	845.6
Revaluation reserve	306.5	313.0	308.4
Profit and loss account	<u>78.6</u>	<u>146.4</u>	<u>112.1</u>
SHAREHOLDERS' FUNDS - EQUITY	1,315.5	1,389.8	1,350.9
MINORITY INTERESTS - EQUITY	<u>120.6</u>	<u>155.1</u>	<u>115.4</u>
TOTAL CAPITAL EMPLOYED	<u>1,436.1</u>	<u>1,544.9</u>	<u>1,466.3</u>

	6 months ended 30 June 2003 £m Unaudited	6 months ended 30 June 2002 £m Unaudited	Year ended 31 December 2002 £m Audited
CASH FLOW STATEMENT			
Net cash inflow from operating activities	30.6	59.7	122.2
Dividends received from associated undertakings	-	-	0.2
Dividends received from joint ventures	-	-	0.1
Returns on investments and servicing of finance	(23.4)	(25.6)	(50.0)
Taxation paid	(0.6)	(5.7)	(11.6)
Capital expenditure and financial investment	(12.2)	(9.6)	(12.2)
Acquisitions and disposals	(2.6)	-	-
Equity dividends paid	<u>(23.5)</u>	<u>(23.5)</u>	<u>(35.3)</u>
Cash (outflow)/inflow before use of liquid resources and financing	(31.7)	(4.7)	13.4
Management of liquid resources	(8.5)	-	30.6
Financing			
Net cash from the issue of shares and purchase of minority interests	-	0.2	(37.2)
Increase/(decrease) in debt and lease financing	<u>8.6</u>	<u>(10.2)</u>	<u>8.1</u>
Net cash inflow/(outflow) from financing	<u>8.6</u>	<u>(10.0)</u>	<u>(29.1)</u>
(Decrease)/increase in cash in the period	<u>(31.6)</u>	<u>(14.7)</u>	<u>14.9</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease)/increase in cash in the period	(31.6)	(14.7)	14.9
Cash outflow/(inflow) from increase/(decrease) in liquid funds	8.5	-	(30.6)
Cash (inflow)/outflow from the (increase)/decrease in debt and lease financing	<u>(8.6)</u>	<u>10.2</u>	<u>(8.1)</u>
Change in net debt resulting from cash flows	(31.7)	(4.5)	(23.8)
Acquisitions	(12.6)	-	-
Deferred finance costs	0.3	-	0.2
Translation differences and other non cash movements	<u>7.3</u>	<u>10.8</u>	<u>33.5</u>
Movement in net debt in the period	(36.7)	6.3	9.9
Net debt at beginning of the period	<u>(675.5)</u>	<u>(685.4)</u>	<u>(685.4)</u>
Net debt at end of the period	<u>(712.2)</u>	<u>(679.1)</u>	<u>(675.5)</u>

**RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING
ACTIVITIES**

	6 months ended 30 June 2003 £m Unaudited	6 months ended 30 June 2002 £m Unaudited	Year ended 31 December 2002 £m Audited
Operating profit	15.5	44.2	96.3
Depreciation	19.9	19.8	39.8
Loss on disposal of fixed assets	-	0.2	0.4
Decrease in stocks	0.6	0.2	0.1
Decrease/(increase) in debtors	4.9	(8.3)	(4.3)
(Decrease)/increase in creditors	(10.0)	3.8	(9.7)
Decrease in provisions	(0.3)	(0.2)	(0.4)
Net cash inflow from operating activities	<u>30.6</u>	<u>59.7</u>	<u>122.2</u>

ANALYSIS OF NET DEBT

	As at 1 January 2003 £m	Cash flow £m	Deferred finance costs £m	Acquisitions excluding cash and overdrafts £m	Translation differences and other non cash movements £m	As at 30 June 2003 £m
Cash	46.2	(31.6)			(3.0)	11.6
Overdrafts	(1.8)	<u>(31.6)</u>				(1.8)
Short term deposits	12.9	8.5			(0.3)	21.1
Debt due after one year	(465.0)	(47.1)	0.3		4.1	(507.7)
Debt due within one year	(86.5)	85.3		(12.6)	(0.3)	(14.1)
Finance Leases	(18.3)	0.2			(0.5)	(18.6)
Bonds due after one year	(147.4)	-			5.4	(142.0)
Bonds due within one year	(15.6)	<u>(47.0)</u>			1.9	(60.7)
		(8.6)				
	<u>(675.5)</u>	<u>(31.7)</u>	<u>0.3</u>	<u>(12.6)</u>	<u>7.3</u>	<u>(712.2)</u>

ANALYSIS OF CASH FLOW FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT	6 months ended 30 June 2003 £m Unaudited	6 months ended 30 June 2002 £m Unaudited	Year ended 31 December 2002 £m Audited
Returns on investments and servicing of finance			
Interest received	0.8	2.5	4.6
Interest paid	(21.4)	(23.5)	(46.5)
Loan arrangement fees paid	(0.3)	-	(2.9)
Interest element of finance lease rental payments	(0.6)	(0.6)	(1.2)
Dividends paid to minorities	(1.9)	(4.0)	(4.0)
Net cash outflow for returns on investments and servicing of finance	(23.4)	(25.6)	(50.0)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(8.9)	(11.3)	(28.6)
Millenium Hilton New York capital expenditure	(11.6)	(1.1)	(5.1)
Insurance capital claim receipts	-	-	18.9
Purchase of development properties	-	-	(2.1)
Proceeds from the sale of development properties	1.6	2.7	0.3
Proceeds from sale of investments	2.5	-	-
Sale of properties held for resale	-	-	3.2
Sale of other fixed assets	4.2	0.1	0.3
Repayment from loans to associated undertakings and joint ventures	-	-	0.9
Net cash outflow for capital expenditure and financial investment	(12.2)	(9.6)	(12.2)
Acquisitions and disposals			
Acquisition of subsidiary undertakings	(2.6)	-	-
Net cash outflow for acquisitions and disposals	(2.6)	-	-
Management of liquid resources			
Cash withdrawn from short term deposit	(8.5)	-	30.6
Net cash inflow from management of liquid resources	(8.5)	-	30.6
Financing			
Issue of shares from the exercise of options	-	0.2	0.2
Purchase of shares in minorities	-	-	(37.4)
	-	0.2	(37.2)
Drawdown of third party loans	150.6	29.8	165.2
Repayment of third party loans	(141.8)	(38.7)	(155.0)
Capital element of finance lease repayment	(0.2)	(1.3)	(2.1)
	8.6	(10.2)	8.1
Net cash inflow/(outflow) from financing	8.6	(10.0)	(29.1)

Segmental Analysis

	6 months ended 30 June 2003	6 months ended 30 June 2002	Year ended 31 Dec 2002
	Reported currency Unaudited £m	Reported currency Unaudited £m	Reported currency Audited £m
GROUP TURNOVER			
New York	28.7	33.9	68.0
Regional US	52.6	60.0	119.7
London	31.3	36.4	75.3
Regional Europe	43.7	43.5	88.6
Asia	57.1	81.4	157.6
Australasia	29.6	28.6	58.3
	<hr/>		
Group	243.0	283.8	567.5
OPERATING PROFIT			
New York	1.8	4.6	10.7
Regional US	0.7	4.0	8.1
London	9.9	11.5	24.6
Regional Europe	3.4	4.4	9.3
Asia	5.5	16.2	34.9
Australasia	7.1	6.8	14.4
	<hr/>		
Group	28.4	47.5	102.0
Other operating (expense)/income	(7.0)	3.1	6.5
Central costs and other items	(5.9)	(6.4)	(12.2)
	<hr/>		
GROUP OPERATING PROFIT	15.5	44.2	96.3
Share of operating profits of joint ventures	0.6	5.2	12.2
Share of operating profits of associated undertakings	-	0.2	0.4
Profit on sale of fixed assets	0.4	-	-
Interest payable less receivable	(22.8)	(24.0)	(48.7)
	<hr/>		
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(6.3)	25.6	60.2

In the six month period ended 30 June 2003 other operating expenses comprises the costs incurred as a result of the closure and reopening of the Millenium Hilton in New York. No business interruption income was recognised in the period. In both comparative periods, operating income comprises business interruption proceeds recognised in relation to the Millenium Hilton, net of depreciation, employment expenses and other variable and fixed operating costs incurred during the hotel's closure.

Notes

1. **Date of approval** These interim statements were approved by the directors on 6 August 2003. Further copies of the statements can be obtained from Millennium & Copthorne Hotels plc at Victoria House, Victoria Road, Surrey, RH6 7AF.

2. **Basis of preparation** These statements have been prepared under the historic cost convention, modified to include the revaluation of certain hotels. Preparation is in accordance with the Group's accounting policies as set out in the financial statements for the year ended 31 December 2002.

The comparative figures for the financial year ended 31 December 2002 are not the Group's statutory accounts for that financial year but are abridged from them. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) and (3) of the Companies Act 1985.

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 the 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 the 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. **Taxation** A tax credit has been accrued at a rate of 25.4% (2002 full year: 23.9%).

5. **Dividends** The interim dividend of 4.2p per share will be paid on 8 October 2003 to shareholders on the register as at close of business on 22 August 2003. The ex-dividend date for the shares will be 20 August 2003. For the first time the Group will be offering shareholders the option of a scrip dividend.

6. **Earnings per share** The basic loss per share of 2.2 p (2002: earnings of 4.6p) are based on a loss of £6.3 million (2002: profit of £13.0 million) and a weighted average number of shares in issue of 282.6 million (2002: 282.6 million) being the average number of shares in issue in the period. Fully diluted loss per share of 2.2p (2002: earnings of 4.6p) are based on a weighted average number of shares in issue of 282.8 million (2002: 285.0 million) being the average number of shares in issue during the period adjusted for the exercise of share options.

Key Operating Statistics

	6 months ended 30 June 2003 Excluding Millenium Hilton	6 months ended 30 June 2002 Like For Like	6 months ended 30 June 2002	Year ended 31 December 2002
	Reported Currency	Constant Currency	Reported Currency	Reported Currency
OCCUPANCY (%)				
New York	82.6	82.6	82.6	83.3
Rest of USA	54.6	51.2	51.6	54.0
USA	59.8	57.0	57.6	59.7
London	74.5	81.8	81.8	83.1
Rest of Europe	68.4	67.7	67.7	68.6
Europe	71.1	74.0	74.0	75.0
Asia	48.0	66.2	66.2	66.4
Australasia	68.4	70.7	70.8	70.4
Group	61.0	65.9	66.3	67.2
AVERAGE ROOM RATE (£)				
New York	96.20	108.42	120.63	120.28
Rest of USA	58.99	66.63	74.07	70.83
USA	68.44	77.76	87.10	84.29
London	73.63	79.48	79.48	79.86
Rest of Europe	68.31	72.63	70.06	68.94
Europe	70.78	75.99	74.68	74.30
Asia	52.79	59.22	63.05	59.26
Australasia	36.29	34.70	30.91	31.46
Group	60.38	65.36	67.26	65.73
REVENUE PER AVAILABLE ROOM (£)				
New York	79.46	89.55	99.64	100.19
Rest of USA	32.21	34.11	38.22	38.25
USA	40.93	44.32	50.17	50.32
London	54.85	65.01	65.01	66.36
Rest of Europe	46.72	49.17	47.43	47.29
Europe	50.32	56.23	55.26	55.73
Asia	25.34	39.20	41.74	39.35
Australasia	24.82	24.53	21.88	22.15
Group	36.83	43.07	44.59	44.17
GROSS OPERATING PROFIT MARGIN (%)				
New York	25.6		26.1	32.5
Rest of USA	19.4		24.2	23.7
USA	21.5		24.9	27.0
London	47.9		51.2	51.4
Rest of Europe	28.3		30.5	30.5
Europe	36.5		39.9	40.1
Asia	27.2		39.5	38.8
Australasia	38.6		37.3	37.3
Group	29.4		34.5	35.1

Like for like statistics include

- Four Points Sunnyvale for the six months to 30 June 2002 and 2003
- Millennium Hotel Sydney for the three months ended 31 March 2002 and 2003
- Quality Hotel Willis Street Wellington for the three months ended 31 March 2002 and 2003

The Millenium Hilton is excluded from both 2002 and 2003 statistics. Including the Millenium Hilton in 2003 would produce the following statistics

OCCUPANCY (%)

New York	82.3
USA	60.1
Group	61.1

AVERAGE ROOM RATE

(£)

New York	97.24
USA	69.34
Group	60.74

REVPAR (£)

New York	80.03
USA	41.67
Group	37.11

**GROSS OPERATING
PROFIT MARGIN (%)**

New York	11.1
USA	16.4
Group	27.5