

MILLENNIUM & COPTHORNE HOTELS plc
TRADING UPDATE
For the first quarter to 31 March 2015

Highlights

	Q1 2015	Q1 2014	Change	
RevPAR	£61.60	£58.23	£3.37	5.8%
Revenue	£189m	£175m	£14m	8.0%
Profit before tax	£19m	£20m	£(1)m	(5.0)%

- Group RevPAR increased by 5.8%; driven mainly by higher average room rate. In constant currency, RevPAR grew by 2.6%.
- Revenue increased by 8.0% in the first quarter of 2015 as compared to the same period last year. This was due mainly to higher hotel revenue from refurbished hotels, acquisitions in 2014 and the opening of the Ginza-located Millennium Mitsui Garden Hotel Tokyo last December.
- Profit before tax for the quarter was down by 5.0% compared to the same period last year, in part reflecting labour cost pressures in New York resulting from collective bargaining arrangements and labour shortages in Singapore. Sale of the last three remaining Glyndebourne condominiums in Q1 2014 also had a negative impact on comparative performance.
- Like-for-like¹ revenue and profit before tax for Q1 2015 increased by 2.7% and 9.9% respectively.

Note 1: Like-for-like comparisons exclude the impact of acquisitions, closures and Glyndebourne (sale of the remaining three units of condominium in Q1 2014) and are stated in constant currency terms.

Mr Kwek Leng Beng, Chairman commented:

“Overall trading results in the first three months of 2015 were in line with the slower trading pattern that the Group normally sees in the first quarter and in line with expectations, although it is too early to predict performance for the full year. Management is focused on maintaining profitability by containing costs, especially in Singapore and New York.”

Enquiries

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Financial performance

For the three months ended 31 March 2015, revenue increased by 8.0% to £189m (Q1 2014: £175m).

	Q1 2015	Q1 2014	Change	
Hotel	£170m	£154m	£16m	10.4%
Property	£8m	£10m	£(2)m	(20.0)%
REIT	£11m	£11m	-	-
Total revenue	£189m	£175m	£14m	8.0%

Hotel revenue grew by 10.4% reflecting higher RevPAR, positive impact from acquired properties and refurbished hotels, as well as higher income from meeting and events. On a like-for-like basis, hotel revenue increased by 4.6% to £159m (Q1 2014: £152m).

Property income fell by £2m this quarter due to the sale of the last Glyndebourne condominium units for £6m in Q1 2014. This was partially offset by rental income from Millennium Mitsui Garden Hotel Tokyo.

Profit before tax for the first three months of 2015 decreased by 5.0% to £19m (Q1 2014: £20m). Like-for-like profit before tax (excluding the impact of acquisitions, closures and Glyndebourne) increased by 9.9% with most regions trending upwards. Asia was the exception and continues to face challenging trading conditions. The slightly weaker pound sterling had a positive impact on Group revenue, but did not significantly affect profit.

Labour costs have increased, especially in New York under collective bargaining arrangements and in Singapore because of labour shortages. The Group is prioritising ways to adjust the operating model in certain hotels, so as to reduce the impact of higher labour costs on profitability.

Hotel operations

	RevPAR			Occupancy			Average Room Rate		
	Q1 2015 £	#Q1 2014 £	Change	Q1 2015 %	Q1 2014 %	Change %pts	Q1 2015 £	#Q1 2014 £	Change
New York	98.57	99.86	(1.3)%	68.7	70.5	(1.8)	143.59	141.64	1.4%
Regional US	41.33	35.96	14.9%	54.6	52.5	2.1	75.65	68.55	10.4%
Total US	60.19	53.85	11.8%	59.2	57.5	1.7	101.58	93.64	8.5%
London	81.09	79.30	2.3%	71.7	73.4	(1.7)	113.16	107.99	4.8%
Rest of Europe	42.71	40.12	6.5%	64.8	62.4	2.4	65.93	64.28	2.6%
Total Europe	62.61	59.23	5.7%	68.3	67.8	0.5	91.60	87.37	4.8%
Singapore	81.18	90.68	(10.5)%	87.3	87.3	-	92.94	103.83	(10.5)%
Rest of Asia	53.41	57.58	(7.2)%	62.7	70.1	(7.4)	85.18	82.16	3.7%
Total Asia	64.16	71.44	(10.2)%	72.2	77.3	(5.1)	88.81	92.41	(3.9)%
Australasia	55.91	48.62	15.0%	88.4	83.0	5.4	63.21	58.58	7.9%
Total Group	61.60	60.02	2.6%	68.2	68.6	(0.4)	90.30	87.46	3.2%

In constant currency whereby 31 March 2014 RevPAR and average room rates have been translated at average exchange rates for the period ended 31 March 2015.

In constant currency, Group RevPAR increased by 2.6% to £61.60 (Q1 2014: £60.02). Like-for-like RevPAR fell by 1.2% to £59.55.

US

RevPAR for the US region increased by 11.8% to £60.19 reflecting the contribution from Novotel New York Times Square, growth in the regional US, particularly at the Millennium Biltmore Hotel Los Angeles and The McCormick Scottsdale, which was recently refurbished. Excluding the impact of Novotel New York Times Square, New York RevPAR fell by 8.8% and US RevPAR increased by 2.5%.

Europe

London RevPAR was up by 2.3%. Excluding The Chelsea Harbour Hotel, London RevPAR increased by 0.6%. Higher RevPAR at Millennium Hotel London Mayfair was largely offset by lower occupancy at Millennium Bailey's Hotel London due to the refurbishment of guestrooms which started at the end of last year. Most of the other European hotels posted RevPAR gains.

Asia

Asia RevPAR fell by 10.2% with decreases in both occupancy and average room rate. Singapore occupancy was stable at 87.3% with average room rate falling by 10.5% as a result of increased room supply and lower visitor numbers. In rest of Asia, occupancy dropped by 7.4% with increase in average room rate of 3.7%.

Australasia

Australasia was the fastest growing region in RevPAR terms. The 15.0% increase was driven by higher occupancy and average room rate. New Zealand continues to benefit from increased visitors from Asia, particularly China in the current high season and increased airline capacity into the country.

Hotel refurbishment

The Group has five refurbishment projects underway with a total estimated cost of £22m, which are phased so as to minimise trading disruption. In Europe, refurbishment of Millennium Bailey's Hotel London is scheduled to complete in September. In the US, Millennium Alaskan Hotel Anchorage is scheduled to complete this month, whilst refurbishment of Millennium Hotel Buffalo will complete at the end of 2015. Work on Millennium Biltmore Hotel Los Angeles will complete in late 2016. Copthorne Hotel & Resort Queenstown Lakefront in New Zealand will complete in 2015.

Refurbishment of all guest accommodation and most of the common parts at Grand Hyatt Taipei is complete, with remaining work on the main lobby, retail and some food outlets scheduled to finish later this year. Work on the deluxe guest rooms and corridors at the Millennium Seoul Hilton began in April. Work is being phased to minimise disruption, with completion of the final phase in 2016.

Hotel inventory and pipeline

The Group opened four new Millennium hotels in Oman, Saudi Arabia and United Arab Emirates during the first quarter of 2015, under management contracts. The Group terminated its franchise agreement with the owner of Kingsgate Hotel Wellington, New Zealand taking effect from 31 March 2015. The Group currently has 123 hotels offering 34,287 rooms.

The Group's pipeline at 31 March 2015 comprises 20 hotels offering 6,657 rooms. These are mainly properties to be operated under management contract.

Management changes

As previously announced, Aloysius Lee Tse Sang took up his new role as Group CEO and Executive Director on 1 March 2015. He replaced Wong Hong Ren who stepped down from the Board on 28 February 2015. To ensure continuity, Mr Wong remains available to the Group as a senior adviser.

This trading update contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Millennium & Copthorne Hotels plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

**Consolidated income statement
for the period ended 31 March 2015**

	First Quarter 2015 Unaudited £m	First Quarter 2014 Unaudited £m	Full Year 2014 Audited £m
Revenue	189	175	826
Cost of sales	(84)	(79)	(333)
Gross profit	105	96	493
Administrative expenses	(85)	(74)	(325)
Other operating income	-	-	29
Other operating expense	-	-	(2)
Operating profit	20	22	195
Share of profit of joint ventures and associates	3	2	10
Finance income	3	1	7
Finance expense	(7)	(5)	(24)
Net finance expense	(4)	(4)	(17)
Profit before tax	19	20	188
Income tax expense	(2)	(4)	(37)
Profit for the period	17	16	151
Attributable to:			
Equity holders of the parent	8	7	110
Non-controlling interests	9	9	41
	17	16	151

**Consolidated statement of financial position
as at 31 March 2015**

	As at 31 March 2015 Unaudited £m	As at 31 March 2014 Unaudited £m	As at 31 Dec 2014 Audited £m
Non-current assets			
Property, plant and equipment	2,811	2,429	2,753
Lease premium prepayment	99	95	98
Investment properties	494	383	479
Investment in joint ventures and associates	249	239	235
Other financial assets	5	5	5
	3,658	3,151	3,570
Current assets			
Inventories	4	4	4
Development properties	75	73	72
Lease premium prepayment	2	1	2
Trade and other receivables	94	141	104
Cash and cash equivalents	378	504	392
	553	723	574
Total assets	4,211	3,874	4,144
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	(559)	(519)	(518)
Employee benefits	(15)	(17)	(15)
Provisions	(8)	(7)	(7)
Other non-current liabilities	(11)	(8)	(11)
Deferred tax liabilities	(221)	(208)	(221)
	(814)	(759)	(772)
Current liabilities			
Interest-bearing loans, bonds and borrowings	(369)	(262)	(399)
Trade and other payables	(209)	(169)	(197)
Provisions	(6)	(6)	(6)
Income taxes payable	(31)	(35)	(35)
	(615)	(472)	(637)
Total liabilities	(1,429)	(1,231)	(1,409)
Net assets	2,782	2,643	2,735
Equity			
Issued share capital	97	97	97
Share premium	843	843	843
Translation reserve	263	150	210
Treasury share reserve	(4)	(2)	(4)
Retained earnings	1,125	1,078	1,117
Total equity attributable to equity holders of the parent	2,324	2,166	2,263
Non-controlling interests	458	477	472
Total equity	2,782	2,643	2,735