

MILLENNIUM & COPTHORNE HOTELS plc
TRADING UPDATE
First quarter results to 31 March 2017

Highlights for 1st quarter 2017:

	Q1 2017	Reported Currency			Constant Currency		
		Q1 2016	Change		Q1 2016	Change	
RevPAR	£70.66	£60.02	£10.64	17.7%	£67.56	£3.10	4.6%
Revenue - total	£223m	£192m	£31m	16.1%	£218m	£5m	2.3%
Revenue - hotel	£191m	£165m	£26m	15.8%	£186m	£5m	2.7%
Profit before tax	£13m	£18m	£(5)m	(27.8)%	£21m	£(8)m	(38.1)%

- In constant currency, Group RevPAR grew by 4.6% with increases in both occupancy and average room rate of 2.9% points and 0.3% respectively. In reported currency, Group RevPAR increased by 17.7%.
- London RevPAR growth of 14.5% reflected the lower pound boosting tourist numbers and a weak comparative quarter in the previous year.
- New York RevPAR was higher by 7.0%, helped by improved trading at ONE UN New York after the completion of its refurbishment at the end of 2016. Despite improved revenues, the Group's New York hotels made an overall loss in the quarter.
- Singapore RevPAR was down slightly by 0.9%. Occupancy increased by 4.7% points but average room rate dropped by 6.3%.
- Profit before tax fell by £5m or 27.8% for the period. Excluding foreign exchange losses arising at CDL Hospitality Trusts ("CDLHT"), Group pre-tax profit for the period was £17m (Q1 2016: £18m).

Mr Kwek Leng Beng, Chairman commented:

"Group revenue improved during the first three months of 2017, particularly in London and New Zealand. Singapore RevPAR continues to be under pressure as a result of increased room supply and uncertain economic conditions. Performance in Rest of Asia was negatively affected by geo-political tensions impacting inbound tourism into Seoul and Taipei. Poor performance in the US region especially New York, remains a concern. We are addressing the issues contributing to the under-performance in this region and our immediate focus is on the US management structure, which is currently under review."

Enquiries

Millennium & Copthorne Hotels plc

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FINANCIAL PERFORMANCE

For the three months ended 31 March 2017, Group reported revenue increased by 16.1% to £223m (Q1 2016: £192m). On a constant currency basis, Group revenue increased by 2.3%.

	Q1 2017 £m	Reported Currency			Constant Currency		
		Q1 2016 £m	Change		Q1 2016 £m	Change	
			£m	%		£m	%
Hotel	191	165	26	15.8	186	5	2.7
Property	18	13	5	38.5	16	2	12.5
REIT	14	14	-	-	16	(2)	(12.5)
Total Revenue	223	192	31	16.1	218	5	2.3

Hotel revenue for Q1 2017 increased by £5m or 2.7%, driven by higher contributions from the Group's hotels in London and New Zealand.

Property revenue for the period increased by £2m or 12.5%, mainly because of higher contribution from New Zealand land sales.

Profit before tax for the first three months of 2017 fell by 27.8% to £13m (Q1 2016: £18m). This includes £4m of foreign exchange losses arising at CDLHT and recorded as finance cost in the Group income statement.

Hotel operations

	RevPAR			Occupancy			Average Room Rate		
	Q1 2017 £	#Q1 2016 £	Change %	Q1 2017 %	Q1 2016 %	Change %pts	Q1 2017 £	#Q1 2016 £	Change %
New York	111.16	103.89	7.0	72.0	64.1	7.9	154.33	162.03	(4.8)
Regional US	50.25	49.01	2.5	52.4	51.4	1.0	96.00	95.27	0.8
Total US	70.31	67.08	4.8	58.8	55.6	3.2	119.51	120.61	(0.9)
London	86.90	75.89	14.5	76.4	69.5	6.9	113.70	109.24	4.1
Rest of Europe	44.51	44.88	(0.8)	64.2	64.3	(0.1)	69.27	69.75	(0.7)
Total Europe	65.97	60.58	8.9	70.4	66.9	3.5	93.69	90.51	3.5
Singapore	84.84	85.65	(0.9)	87.4	82.7	4.7	97.10	103.60	(6.3)
Rest of Asia	58.68	63.00	(6.9)	62.2	63.5	(1.3)	94.34	99.15	(4.9)
Total Asia	68.81	71.77	(4.1)	71.9	70.9	1.0	95.64	101.15	(5.4)
Australasia	87.07	74.20	17.3	90.5	91.2	(0.7)	96.20	81.31	18.3
Total Group	70.66	67.56	4.6	69.1	66.2	2.9	102.30	102.00	0.3

In constant currency whereby 31 March 2016 RevPAR and average room rates have been translated at average exchange rates for the period ended 31 March 2017.

In constant currency, Group RevPAR increased by 4.6% to £70.66 (Q1 2016: £67.56). Like-for-like¹ RevPAR increased by 1.8%.

Note 1: Like-for-like comparisons exclude the impact of acquisitions, closures and refurbishments; and they are stated in constant currency terms.

US

US RevPAR for the period increased by 4.8% to £70.31 (Q1 2016 £67.08). Occupancy increased by 3.2% points and average room rate was down by 0.9%.

New York RevPAR increased by 7.0% as a result of a 7.9% point rise in occupancy which was partially offset by a 4.8% drop in average room rate. Excluding ONE UN New York where the east tower was closed for refurbishment during Q1 2016, RevPAR for US and New York increased by 1.7% and 0.8% respectively.

RevPAR for Regional US increased by 2.5% to £50.25 (Q1 2016: £49.01) with increases in both occupancy and average room rate.

Europe

Europe RevPAR for Q1 2017 increased by 8.9%, reflecting a better start to the year compared to Q1 2016 when the region was affected by terror attacks in Paris and Brussels. RevPAR for London grew by 14.5% to £86.90 (Q1 2016: £75.89) with increases in both average room rate and occupancy in line with the general market and a significantly higher contribution from The Bailey's Hotel London after its refurbishment, completed in Q1 2016.

RevPAR for Rest of Europe reduced slightly by 0.8% mainly due to the Group's hotels in Paris where the pick-up has been slow as a result of the on-going terrorism threat.

Asia

Asia RevPAR for Q1 2017 fell by 4.1% to £68.81 (Q1 2016: £71.77). Occupancy was maintained at around last year's rate but average room rate dropped by 5.4%.

Singapore RevPAR dropped slightly by 0.9% with average room rate lower by 6.3%. The Group deployed a competitive pricing strategy, which succeeded in lifting occupancy by 4.7% points, re-balancing the mix of guests in light of continuing pressure on corporate travel budgets and increased room inventory. Rest of Asia RevPAR decreased by 6.9% in Q1 2017, mainly due to the lower number of Chinese visitors to Taipei and Seoul.

Australasia

Australasia RevPAR grew by 17.3% in Q1 2017, despite a dip in overseas visitor numbers in March 2017. The increase in RevPAR was mainly due to a successful rate-driven yield management strategy across the estate, with the recently opened Grand Millennium Auckland delivering a strong performance over the period. Excluding Grand Millennium Auckland, RevPAR for Australasia increased by 5.7%.

Developments

The tender for the Yangdong development project in Seoul is underway. Construction work is expected to start in the last quarter of this year.

The Group has adjusted the specifications slightly in relation to the mixed use development of its 35,717m² freehold landsite at Sunnyvale California resulting in lower costs, compared to earlier projections.

Hotel refurbishments

Phased refurbishments of Millennium Hotel London Mayfair and Millennium Hotel London Knightsbridge are planned to commence later this year, after the Group has finalised the scope and cost of the works.

Refurbishment of guestrooms on levels 7 and 8 of Grand Millennium Kuala Lumpur will be completed this year. Refurbishment of the guestrooms on levels 9 to 19 was completed last year.

Copthorne Hotel Auckland Harbourcity is in its final stage of construction and will soft-open in Q3 this year. It will be rebranded M Social Auckland.

Asset disposals

The Group continues to engage with the developer of Birmingham's Paradise Circus redevelopment scheme, under previously agreed commercial arrangements, regarding the closure and acquisition by the developer of the Copthorne Hotel Birmingham and possible acquisition by the Group of an alternative site for development of a new hotel within the scheme.

In March 2017 the Scottish Ministers approved an order that will allow Network Rail Infrastructure Limited ("Network Rail") to take permanently and to demolish the 1970s-built, 51-room extension of the Millennium Hotel Glasgow, in connection with the redevelopment of Queen Street Station. The Group will be entitled to compensation which will either be negotiated or settled at the Lands Tribunal. If the decision is not appealed, separation works are anticipated to commence in the summer of 2017. The Group is continuing to consider its options, whilst maintaining a commercial dialogue with Network Rail.

Other Group operations

Joint ventures and associates contributed £4m to profit in Q1 2017 (Q1 2016: £3m). The Group has an effective interest of 36% in First Sponsor Group Limited, which is listed on the Singapore Exchange and reports its results publicly.

Financial position

At 31 March 2017, the Group had net debt of £710m (Dec 2016: net debt £707m). Excluding CDLHT, the net debt at 31 March 2017 was £212m (Dec 2016: net debt £232m).

Current trading

On a constant currency basis, Group RevPAR was up by 4.7% for the three weeks ended 21 April 2017, with New York up by 19.9%, Regional US down by 1.8%, London up by 17.1%, Rest of Europe down by 8.9%, Singapore down by 10.8%, Rest of Asia down by 5.4% and Australasia up by 24.1%.

On a like-for-like basis excluding One UN New York and Grand Millennium Auckland, Group RevPAR increased by 1.3% with New York up by 8.7% and Australasia up by 10.6%.

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.

**Condensed consolidated income statement (unaudited)
for the three months ended 31 March 2017**

	First Quarter 2017 Unaudited £m	First Quarter 2016 Unaudited £m	Full Year 2016 Audited £m
Revenue	223	192	926
Cost of sales	(105)	(87)	(395)
Gross profit	118	105	531
Administrative expenses	(101)	(88)	(382)
Other operating income	-	-	13
Other operating expense	-	-	(55)
Operating profit	17	17	107
Share of profit of joint ventures and associates	4	3	26
Finance income	3	4	7
Finance expense	(11)	(6)	(32)
Net finance expense	(8)	(2)	(25)
Profit before tax	13	18	108
Income tax expense	(2)	(3)	(10)
Profit for the period	11	15	98
Attributable to:			
Equity holders of the parent	3	6	78
Non-controlling interests	8	9	20
	11	15	98

The financial results above were derived from continuing activities.

Condensed consolidated statement of financial position (unaudited)
as at 31 March 2017

	As at 31 March 2017 Unaudited £m	As at 31 March 2016 Unaudited £m	As at 31 Dec 2016 Audited £m
Non-current assets			
Property, plant and equipment	3,277	2,884	3,238
Lease premium prepayment	108	100	107
Investment properties	551	545	534
Investment in joint ventures and associates	323	269	320
	4,259	3,798	4,199
Current assets			
Inventories	5	4	5
Development properties	90	83	93
Lease premium prepayment	2	2	2
Trade and other receivables	93	84	95
Cash and cash equivalents	354	260	337
	544	433	532
Total assets	4,803	4,231	4,731
Non-current liabilities			
Interest-bearing loans, bonds and borrowings	(966)	(720)	(951)
Employee benefits	(23)	(13)	(23)
Provisions	(9)	(8)	(10)
Other non-current liabilities	(14)	(13)	(14)
Deferred tax liabilities	(219)	(221)	(220)
	(1,231)	(975)	(1,218)
Current liabilities			
Interest-bearing loans, bonds and borrowings	(98)	(196)	(93)
Trade and other payables	(228)	(195)	(214)
Provisions	(1)	(2)	(1)
Income taxes payable	(31)	(31)	(35)
	(358)	(424)	(343)
Total liabilities	(1,589)	(1,399)	(1,561)
Net assets	3,214	2,832	3,170
Equity			
Issued share capital	97	97	97
Share premium	843	843	843
Translation reserve	569	287	537
Treasury share reserve	(4)	(4)	(4)
Retained earnings	1,201	1,152	1,195
Total equity attributable to equity holders of the parent	2,706	2,375	2,668
Non-controlling interests	508	457	502
Total equity	3,214	2,832	3,170

Segment results

	Q1 2017								Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	
Revenue									
Hotel	26	29	25	14	33	41	23	-	191
Property operations	-	1	-	-	1	2	14	-	18
REIT	-	-	-	2	4	6	2	-	14
Total revenue	26	30	25	16	38	49	39	-	223
Hotel gross operating profit/(loss)	(5)	2	10	1	14	13	12	-	47
Hotel fixed charges ¹	(8)	(6)	(5)	(2)	(2)	(10)	(1)	-	(34)
Hotel operating profit/(loss)	(13)	(4)	5	(1)	12	3	11	-	13
Property operating profit	-	-	-	-	1	2	6	-	9
REIT operating profit/(loss)	-	-	-	-	(1)	2	2	-	3
Central costs	-	-	-	-	-	-	-	(8)	(8)
Operating profit/(loss)	(13)	(4)	5	(1)	12	7	19	(8)	17
Share of joint ventures and associates profit	-	-	-	1	-	3	-	-	4
Add: Depreciation and amortisation	2	3	2	1	3	6	1	1	19
EBITDA ²	(11)	(1)	7	1	15	16	20	(7)	40
Less: Depreciation and amortisation									(19)
Net finance expense									(8)
Profit before tax									13

	Q1 2016								Total Group £m
	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	
Revenue									
Hotel	21	26	22	16	30	37	13	-	165
Property operations	-	1	-	-	1	2	9	-	13
REIT	-	-	-	2	3	5	4	-	14
Total revenue	21	27	22	18	34	44	26	-	192
Hotel gross operating profit/(loss)	(3)	2	9	2	12	12	6	-	40
Hotel fixed charges ¹	(7)	(5)	(6)	(2)	(1)	(8)	(1)	-	(30)
Hotel operating profit/(loss)	(10)	(3)	3	-	11	4	5	-	10
Property operating profit	-	-	-	-	-	2	5	-	7
REIT operating profit/(loss)	-	-	-	-	(1)	2	3	-	4
Central costs	-	-	-	-	-	-	-	(4)	(4)
Operating profit/(loss)	(10)	(3)	3	-	10	8	13	(4)	17
Share of joint ventures and associates profit	-	-	-	2	-	1	-	-	3
Add: Depreciation and amortisation	2	3	2	1	3	5	-	-	16
EBITDA ²	(8)	-	5	3	13	14	13	(4)	36
Less: Depreciation and amortisation									(16)
Net finance expense									(2)
Profit before tax									18

¹ Hotel fixed charges include depreciation, amortisation of lease premium prepayments, property rent, taxes and insurance, operating lease rentals and management fees.

² EBITDA is earnings before interest, tax and, depreciation and amortisation.

APPENDIX 1: KEY OPERATING STATISTICS
for the three months ended 31 March 2017

Owned or leased hotels*	Q1 2017 Reported currency	Q1 2016 Constant currency	Q1 2016 Reported currency	FY 2016 Reported currency
Occupancy (%)				
New York	72.0		64.1	77.9
Regional US	52.4		51.4	58.6
Total US	58.8		55.6	65.0
London	76.4		69.5	81.9
Rest of Europe	64.2		64.3	72.2
Total Europe	70.4		66.9	77.1
Singapore	87.4		82.7	84.2
Rest of Asia	62.2		63.5	65.4
Total Asia	71.9		70.9	72.7
Australasia	90.5		91.2	81.3
Total Group	69.1		66.2	71.8
Average Room Rate (£)				
New York	154.33	162.03	140.52	186.85
Regional US	96.00	95.27	82.62	98.12
Total US	119.51	120.61	104.60	133.18
London	113.70	109.24	109.24	130.83
Rest of Europe	69.27	69.75	67.52	72.86
Total Europe	93.69	90.51	89.44	104.04
Singapore	97.10	103.60	90.85	95.22
Rest of Asia	94.34	99.15	84.81	92.66
Total Asia	95.64	101.15	87.53	93.81
Australasia	96.20	81.31	66.36	71.84
Total Group	102.30	102.00	90.62	106.78
RevPAR (£)				
New York	111.16	103.89	90.09	145.64
Regional US	50.25	49.01	42.51	57.49
Total US	70.31	67.08	58.18	86.52
London	86.90	75.89	75.89	107.18
Rest of Europe	44.51	44.88	43.44	52.61
Total Europe	65.97	60.58	59.87	80.24
Singapore	84.84	85.65	75.11	80.21
Rest of Asia	58.68	63.00	53.89	60.63
Total Asia	68.81	71.77	62.10	68.21
Australasia	87.07	74.20	60.54	58.40
Total Group	70.66	67.56	60.02	76.71
Gross Operating Profit Margin (%)				
New York	(17.9)		(14.3)	15.9
Regional US	8.2		7.7	20.9
Total US	(4.1)		(2.1)	18.4
London	41.3		40.9	49.8
Rest of Europe	9.2		12.5	19.1
Total Europe	29.6		28.9	37.8
Singapore	40.8		40.0	40.8
Rest of Asia	30.2		32.4	34.0
Total Asia	35.0		35.8	37.0
Australasia	54.2		46.2	46.5
Total Group	24.7		24.2	31.6

For comparability, the 31 March 2016 Average Room Rate and RevPAR have been translated at average exchange rates for the period ended 31 March 2017.

* excluding managed, franchised and investment hotels.

APPENDIX 2: HOTEL ROOM COUNT AND PIPELINE
as at 31 March 2017

Hotel and room count	31 March 2017	Hotels 31 Dec 2016	Change	31 March 2017	Rooms 31 Dec 2016	Change
Analysed by region:						
New York	4	4	-	2,238	2,238	-
Regional US	15	15	-	4,559	4,559	-
London	8	8	-	2,651	2,651	-
Rest of Europe	19	19	-	3,081	3,081	-
Middle East	28	26	2	8,759	7,805	954
Singapore	7	7	-	3,011	3,011	-
Rest of Asia	27	27	-	10,022	10,036	(14)
Australasia	25	25	-	3,641	3,641	-
Total	133	131	2	37,962	37,022	940

Analysed by ownership type:						
Owned or Leased	66	66	-	19,536	19,534	2
Managed	44	42	2	12,862	11,924	938
Franchised	7	7	-	1,091	1,091	-
Investment	16	16	-	4,473	4,473	-
Total	133	131	2	37,962	37,022	940

Analysed by brand:						
Grand Millennium	9	9	-	3,734	3,732	2
Millennium	49	49	-	15,888	15,960	(72)
Copthorne	35	35	-	6,924	6,944	(20)
Kingsgate	7	7	-	671	671	-
Other M&C	14	12	2	4,647	3,617	1,030
Third Party	19	19	-	6,098	6,098	-
Total	133	131	2	37,962	37,022	940

Pipeline	31 March 2017	Hotels 31 Dec 2016	Change	31 March 2017	Rooms 31 Dec 2016	Change
Analysed by region:						
Middle East	15	17	(2)	4,492	5,465	(973)
Asia	4	4	-	1,608	1,608	-
Regional US	1	1	-	263	263	-
Rest of Europe	1	1	-	153	153	-
Total	21	23	(2)	6,516	7,489	(973)

Analysed by ownership type:						
Managed	19	21	(2)	5,711	6,684	(973)
Owned	2	2	-	805	805	-
Total	21	23	(2)	6,516	7,489	(973)

Analysed by brand:						
Grand Millennium	2	2	-	847	847	-
Millennium	10	11	(1)	2,847	3,079	(232)
Copthorne	2	2	-	666	666	-
Kingsgate	2	2	-	559	559	-
Other M&C	5	6	(1)	1,597	2,338	(741)
Total	21	23	(2)	6,516	7,489	(973)

The Group's worldwide pipeline comprises 21 hotels offering 6,516 rooms, which are mainly management contracts.