



MILLENNIUM & COPTHORNE HOTELS PLC
INTERIM MANAGEMENT STATEMENT
First quarter results to 31 March 2009

Highlights for the first quarter ended 31 March 2009:

£ millions	First Quarter 2009	First quarter 2008	Reported Currency Change %	Constant Currency Change %	Full Year 2008
RevPAR	£50.72	£51.70	(1.9%)	(18.2%)	£57.19
Revenue – total	157.1	160.7	(2.2%)	(18.3%)	702.9
Revenue – hotels	155.7	158.4	(1.7%)	(17.9%)	696.1
Headline operating profit	15.1	28.1	(46.3%)	(54.1%)	143.5
Headline profit before tax	11.0	22.0	(50.0%)	(58.6%)	125.9
Profit before tax	11.0	22.0	(50.0%)	(58.6%)	102.8

Commenting today Mr Kwek Leng Beng, Chairman said:

“In light of generally worsening global economic conditions, the first quarter trading environment was predictably challenging. The downturn was most prevalent in New York and Singapore where RevPAR fell by 37.8% and 30.6% respectively. Performance in London, our other key gateway city, has been very resilient in the first quarter, with RevPAR only marginally down by 0.2%.

At constant rates of exchange and on a like-for-like basis (i.e. excluding the refurbishment of Boston and Chicago), hotel gross operating profit decreased by £18.8m compared to a fall in revenue of £34.4m, resulting in a satisfactory conversion ratio of 45.3%. This was due in part to the continued focus on cost control and our profit protection plans.

Under current market conditions, our focus is on achieving at least fair-market share within each hotel's pre-defined competitive set and maintaining a tight control over all operating costs. We have strong cash generation from operations of £13.6m, have continued to control tightly capital expenditure and maintain a strong balance sheet and low gearing of 15.9%.”

Enquiries

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Analyst briefing

There will be a conference call for investors and analysts hosted by Richard Hartman, Chief Executive Officer, at 8.45am (UK time) on 6 May 2009. For dial-in details, please contact Camilla Barnardt on +44 (0) 20 7466 5000.

CHAIRMAN'S STATEMENT

In light of generally worsening global economic conditions, the first quarter trading environment was predictably challenging. The first quarter saw a worsening in demand across all regions in which the Group operates, particularly the United States, as the effects of the financial tsunami continue to unfold. Global RevPAR declined by 1.9% on a reported basis and 18.2% on a constant currency basis with near commensurate declines in revenue.

Financial performance

The downturn was most prevalent in the US and in particular New York where RevPAR fell 37.8%, elsewhere in the US RevPAR decline was 14.3%. Visitor numbers in Singapore have continued to fall since mid-2008 and have impacted both corporate and leisure markets, resulting in Singapore recording the second largest RevPAR fall after New York with a fall of 30.6%. Performance in London, our other gateway city, has been very resilient in the first quarter, with RevPAR only marginally down by 0.2%.

At constant rates of exchange and on a like-for-like basis (i.e. excluding the refurbishment of Boston and Chicago), hotel gross operating profit decreased by £18.8m compared to a fall in revenue of £34.4m, resulting in a satisfactory conversion ratio of 45.3%. This was due in part to the continued focus on cost control and our profit protection plans.

In reported currency terms, despite a decrease in revenue of only 2.2%, profit before tax fell by 50% to £11.0m (2008: £22.0m). In constant currency terms, however, revenue decreased £36.0m while profit before tax fell by £15.6m.

We have strong cash generation from operations of £13.4m, have continued to control tightly capital expenditure and maintain a strong balance sheet and low gearing of 15.9%.

Outlook

Under current market conditions, our focus is on achieving at least fair-market share within each hotel's pre-defined competitive set and maintaining a tight control over all operating costs.

RevPAR for April 2009 fell by 22.9% due in part to the effect of Easter falling in April this year compared to March 2008.

Kwek Leng Beng
Chairman
6 May 2009

First quarter 2009 results

£ millions	First quarter 2009	First quarter 2008	Full Year 2008
Revenue	157.1	160.7	702.9
Operating profit	13.4	25.7	112.8
Headline operating profit ⁴	15.1	28.1	143.5
Profit before tax	11.0	22.0	102.8
Less:			
Other operating income of the Group ¹	-	-	(31.4)
Other operating expense of joint ventures and associates ²	-	-	19.4
Impairment ³	-	-	35.1
Headline profit before tax ⁴	11.0	22.0	125.9
Headline profit after tax	8.6	16.3	94.9
Profit for the period	8.6	16.3	70.9
Basic earnings per share (pence)	2.3p	4.8p	21.3p
Headline earnings per share (pence) ⁴	2.3p	4.8p	29.1p
Net debt	(278.7)	(258.1)	(285.1)
Gearing (%)	15.9%	17.7%	16.4%

Notes

¹ The other operating income of the Group for the year ended 31 December 2008 represented a non-refundable cash deposit paid by the prospective buyer of CDL Hotels (Korea) Limited with one principal asset, the Millennium Seoul Hilton Hotel which had been forfeited as the buyer was unable to finalise its financing arrangements and, consequently, the agreement for the disposal was terminated. This resulted in the Group recording a £31.4m gain.

² The other operating expense of joint ventures and associates for the year ended 31 December 2008 comprised a loss of £20.4m which represented the Group's share of the revaluation deficit of investment properties of CDLHT, the Group's 39.0% associate in a Singapore-listed REIT, a gain of £3.6m representing the Group's share of net revaluation surplus of investment property of First Sponsor Capital Limited net of £2.6m of related interest, tax and minority interests.

³ Impairment for the year ended 31 December 2008 comprised the Group's 30% and 50% investment in Beijing and Bangkok respectively being fully written down by an aggregate £19.6m; an £8.1m aggregate write down of six hotels in the US and UK as well as land in India; and a £7.4m impairment of land at Sunnyvale.

⁴ The Group believes that headline operating profit, headline profit before tax and headline earnings per share provide useful and necessary information on underlying trends to shareholders, the investment community and are used by the Group for internal performance analysis. Reconciliation of these measures to the closest equivalent GAAP measures are shown in note 9 to the interim management statement.

Financial Performance – First quarter 2009

The first quarter saw a worsening in demand across all regions in which the Group operates, particularly the United States, as the effects of the financial tsunami continue to unfold. RevPAR declined by 1.9% on a reported basis and 18.2% on a constant currency basis with near commensurate declines in revenue. The Group benefited from the currency effect of a weaker sterling versus the other major currencies that it operates in.

Group reported revenue was £157.1m or 2.2% lower than the 2008 revenue of £160.7m and in constant currency terms, Group revenue fell by 18.3%.

The increase in cost of sales from £68.2m to £70.1m was due to the impact of higher foreign currency translation of £14.6m. In constant currency terms, cost of sales declined by £12.7m. Similarly, the increase in administrative expenses was due to higher foreign currency translation of £14.2m offset by reduction in underlying expenses of £7.1m.

Headline operating profit is the Group's measure of the underlying profit before interest and tax. It includes the operating results of joint ventures and associates but excludes other operating income/expense (of Group and share of joint ventures and associates) and impairment. Headline operating profit for the quarter decreased by 46.3% from £28.1m to £15.1m. The US was a major contributor to this with a fall of £9.1m.

In reported currency terms, despite a decrease in revenue of only 2.2%, profit before tax fell by 50% to £11.0m (2008: £22.0m) whereas in constant currency terms, revenue decreased £36.0m and profit before tax fell by £15.6m. Basic earnings per share reduced by 52.1% to 2.3p (2008: 4.8p).

Taxation

The Group has recorded a tax expense of £2.4m (2008: £5.7m) excluding the tax relating to joint ventures and associates, giving rise to an effective rate of 30.4% (2008: 29.7%).

A tax charge of £0.8m (2008: £0.7m) relating to joint ventures and associates is included in the reported profit before tax.

Basic earnings per share reduced by 2.5p to 2.3p (2008: 4.8p) and similarly headline earnings per share decreased by 2.5p to 2.3p (2008: 4.8p). The table below reconciles basic earnings per share to headline earnings per share.

	First quarter 2009 pence	First quarter 2008 pence	Full Year 2008 pence
Reported basic earnings per share	2.3	4.8	21.3
Other operating income			
- Group	-	-	(10.5)
- Share of joint ventures and associates	-	-	6.5
Impairment (net of tax and minority interest)	-	-	9.8
Change in tax legislation on hotel tax allowances	-	-	3.4
Change in tax rates on opening deferred taxes	-	-	(1.4)
Headline earnings per share	2.3	4.8	29.1

Financing and future funding

At 31 March 2009, the Group had £235.6m of undrawn and committed facilities available, comprising committed revolving credit facilities which provide the Group with the financial flexibility to draw and repay loans at its discretion, and to react swiftly to investment opportunities.

The net book value of the Group's unencumbered properties as at 31 March 2009 was £1,990.8m (31 December 2008: £1,986.2m). At 31 March 2009 total borrowing amounted to £432.7m of which £57.8m was drawn under £76.6m of secured bank facilities.

At 31 March 2009 of the Group's total facilities of £691.2m, £181.2m matures in the period to 31 December 2009, comprising £83.0m committed facilities which were undrawn, £20.9m overdrafts subject to annual renewal and £77.3m unsecured bonds.

Since 31 March 2009, existing facilities have been used to repay US\$70.0m (£48.3m) maturing unsecured bonds.

During the quarter the maturity date on a US\$80.0m (£55.3m) unsecured bond maturing in June 2010 was extended by three years to mature in June 2013.

PERFORMANCE BY REGION

For comparability, the following regional review is based on calculations in constant currency whereby 31 March 2008 average room rate, RevPAR, revenue and headline operating profit have been translated at 2009 average exchange rates.

UNITED STATES

New York

The economic downturn has had the biggest impact on the New York market with RevPAR falling by 37.8% to £93.99 (2008: £150.99). Occupancy fell by 14.5 percentage points to 64.2% (2008: 78.7%) and average room rate fell by 23.7% to £146.40 (2008: £191.85). Overall demand has fallen significantly and lower rated business had to be bought in via third party internet channels in order to stem the shortfall with a resultant driving down of rates. The Millennium Hilton Hotel in downtown New York has suffered due to its exposure to the financial sector while the Millennium Broadway Hotel has seen a sharp down-turn in conference business and associated rooms business.

Regional US

The large falls seen in New York have not been as dramatic within Regional US as a whole, although there is some variability throughout the region. RevPAR fell by 14.3% to £31.56 (2008: £36.84) mostly due to a 6.9 percentage point fall in occupancy to 49.3% (2008: 56.2%) while rate fell by 2.3% to £64.01 (2008: £65.55). Last year's figures were negatively impacted by the refurbishment of Boston & Chicago hotels. In addition, the Wynfield Inn Orlando which traded below the average RevPAR for the region closed in February this year. Therefore on a like-for-like basis the RevPAR fall increases to 19.9%.

EUROPE

London

The London performance has been very resilient in the first quarter, with RevPAR very marginally down by 0.2% to £73.17 (2008: £73.35). Occupancy for the quarter increased by 1.3 percentage points to 79.0% (2008: 77.7%) while average rate declined by 1.9% to £92.62 (2008: £94.40).

Rest of Europe

In comparison to London, there has been a bigger impact on the Rest of Europe as a result of the current economic conditions. RevPAR was down 10.8% to £51.42 (2008: £57.64) through lower occupancies and average rates.

Regional UK

RevPAR fell by 14.9% in Regional UK to £43.39 (2008: £50.98) as a result of both falling demand and rate. Occupancy fell by 4.3 percentage points to 64.2% (2008: 68.5%) and average rate fell by 9.2% to £67.58 (2008: £74.43). Rate fell throughout the region and occupancy fell at every hotel with one exception where there was a small increase of 0.3%. RevPAR shortfalls throughout the region fell by between 0.2% and 23.6%.

France & Germany

The RevPAR reduction was not as steep as that in Regional UK, but masks two very different stories in France and Germany. Both hotels in Germany saw improvements in RevPAR with Hannover the stronger of the two. However, the weaker performance from the two French hotels, especially the Millennium Paris Opera, more than cancelled out the German performance. For the region, RevPAR fell by 5.8% to £64.38 (2008: £68.36) based on a decrease in occupancy of 2.7 percentage points to 62.0% (2008: 64.7%) and a 1.7% drop in rate to £103.84 (2008: £105.66).

ASIA

Singapore

Singapore has suffered the second largest RevPAR fall after New York with a drop of 30.6% to £62.81 (2008: £90.54) with similarly high falls in both occupancy and average rate. Occupancy fell by 13.6 percentage points to 70.5% (2008: 84.1%) while average rate fell by 17.2% to £89.09 (2008: £107.66). All the hotels in Singapore have been affected and RevPAR for our five Singapore hotels fell by between 27% and 39%. Visitor numbers to Singapore have been falling successively since June 2008 which is being reflected in the drop in occupancy and falls in both the corporate and leisure markets.

Rest of Asia

There have been some mixed results in the rest of Asia and as a result, the RevPAR decline of 8.4% to £47.99 (2008: £52.41) was much lower than that in Singapore. Three hotels improved RevPAR, namely, the Grand Millennium Kuala Lumpur, Copthorne Penang and Millennium Seoul Hilton. The Grand Millennium Kuala Lumpur had a weak start to 2008 thus benefiting this year's comparison to 2008. The Millennium Seoul Hilton has been benefiting from an influx of foreign visitors, especially Japanese, as a result of the weak Korean Won. The total fall for the Region was driven by a 3.0 percentage point fall in occupancy to 68.2% (2008: 71.2%) and a 4.4% fall in average rate to £70.37 (2008: £73.61).

AUSTRALASIA

The New Zealand hotel trade has not been spared the impact of the economic woes, and RevPAR fell by 10.5% to £34.94 (2008: 39.05) brought about by a 5.5 percentage fall in occupancy to 74.8% (2008: 80.3%) and an average rate decline of 3.9% to £46.71 (2008: £48.63). There were declines in average rate at every hotel in New Zealand and falls in occupancy at all but two hotels. The RevPAR decline was not uniform though, varying between 2.4% and 25.7%.

**Consolidated income statement
for the three months ended 31 March 2009**

	Notes	First Quarter 2009 £m	First Quarter 2008 £m	Full Year 2008 £m
Revenue	2	157.1	160.7	702.9
Cost of sales		(70.1)	(68.2)	(285.5)
Gross profit		87.0	92.5	417.4
Administrative expenses		(76.7)	(69.6)	(316.1)
Other operating income		-	-	31.4
		10.3	22.9	132.7
Share of profits/(losses) of joint ventures and associates		3.1	2.8	(19.9)
Analysed between:				
Operating profit before other income/(expense) and impairment		4.8	5.2	19.3
Impairment		-	-	(12.2)
Other operating income		-	-	3.6
Other operating expense		-	-	(20.4)
Interest, tax and minority interests	3	(1.7)	(2.4)	(10.2)
Operating profit		13.4	25.7	112.8
Analysed between:				
Headline operating profit	2	15.1	28.1	143.5
Other operating income – Group		-	-	31.4
Other operating expense - Share of joint ventures and associates		-	-	(16.8)
Impairment		-	-	-
- Joint ventures investments and loans		-	-	(19.6)
- Hotels		-	-	(8.1)
- Other property		-	-	(7.4)
Share of interest, tax and minority interests of joint ventures and associates		(1.7)	(2.4)	(10.2)
Finance income		1.3	4.3	12.0
Finance expense		(3.7)	(8.0)	(22.0)
Net finance expense		(2.4)	(3.7)	(10.0)
Profit before income tax		11.0	22.0	102.8
Income tax expense	4	(2.4)	(5.7)	(31.9)
Profit for the period		8.6	16.3	70.9
Attributable to:				
Equity holders of the parent		6.9	14.1	64.0
Minority interests		1.7	2.2	6.9
		8.6	16.3	70.9
Basic earnings per share (pence)	5	2.3p	4.8p	21.3p
Diluted earnings per share (pence)		2.3p	4.8p	21.3p

The financial results above all derive from continuing activities.

**Consolidated statement of comprehensive income
for the three months ended 31 March 2009**

	First Quarter 2009 £m	First Quarter 2008 £m	Full Year 2008 £m
Profit for the period	8.6	16.3	70.9
Other comprehensive income:			
Foreign exchange translation differences	13.3	27.9	284.0
Gain on acquisition of minority interests	-	-	1.3
Acquisition of minority interest	-	-	1.5
Actuarial gains arising in respect of defined benefit pension schemes	-	-	0.9
Share of associate's other reserve movements	-	-	(0.1)
Income tax relating to components of other comprehensive income	-	-	(2.1)
Other comprehensive income for the period, net of tax	13.3	27.9	285.5
Total comprehensive income for the period	21.9	44.2	356.4
Total comprehensive income attributable to:			
Equity holders of the parent	17.9	37.4	327.2
Minority interests	4.0	6.8	29.2
Total comprehensive income for the period	21.9	44.2	356.4

**Consolidated balance sheet
as at 31 March 2009**

	Notes	As at 31 March 2009 £m	As at 31 March 2008 £m	As at 31 December 2008 £m
Non-current assets				
Property, plant and equipment		2,059.6	1,720.8	2,067.7
Lease premium prepayment		95.1	90.3	95.8
Investment properties		89.1	59.7	79.3
Investments in joint ventures and associates		334.4	259.6	338.7
Loans due from joint ventures and associates		0.9	6.1	-
Other financial assets		7.1	4.8	6.7
		2,586.2	2,141.3	2,588.2
Current assets				
Inventories		4.4	4.8	4.9
Development properties		65.2	73.2	63.2
Lease premium prepayment		1.3	1.3	1.3
Trade and other receivables		62.5	61.6	62.9
Other financial assets		-	8.8	-
Cash and cash equivalents		154.0	169.1	212.1
		287.4	318.8	344.4
Total assets		2,873.6	2,460.1	2,932.6
Non-current liabilities				
Interest-bearing loans, bonds and borrowings		(326.4)	(313.9)	(415.1)
Employee benefits		(12.9)	(13.1)	(12.8)
Provisions		(0.8)	(0.9)	(0.9)
Other non-current liabilities		(116.7)	(93.4)	(118.6)
Deferred tax liabilities		(251.4)	(200.9)	(258.1)
		(708.2)	(622.2)	(805.5)
Current liabilities				
Interest-bearing loans, bonds and borrowings		(106.3)	(113.3)	(82.1)
Trade and other payables		(125.6)	(108.7)	(133.3)
Provisions		(0.3)	(0.4)	(0.3)
Income taxes payable		(30.0)	(17.3)	(30.5)
		(262.2)	(239.7)	(246.2)
Total liabilities		(970.4)	(861.9)	(1,051.7)
Net assets		1,903.2	1,598.2	1,880.9
Equity				
Issued share capital		90.7	88.9	90.7
Share premium and reserves		1,665.1	1,372.3	1,646.8
Total equity attributable to equity holders of the parent		1,755.8	1,461.2	1,737.5
Minority interests		147.4	137.0	143.4
Total equity	6	1,903.2	1,598.2	1,880.9

**Consolidated statement of cash flows
for the three months ended 31 March 2009**

	First Quarter 2009 £m	First Quarter 2008 £m	Full Year 2008 £m
Cash flows from operating activities			
Profit for the period	8.6	16.3	70.9
<i>Adjustments for:</i>			
Depreciation and amortisation	8.5	7.2	30.0
Share of (profit)/losses of joint ventures and associates	(3.1)	(2.8)	19.9
Impairment (excluding joint venture investments)	-	-	22.9
Profit on sale of property, plant and equipment	-	-	(0.4)
Profit from aborted sale of a subsidiary	-	-	(31.4)
Equity settled share-based transactions	0.4	0.2	1.1
Finance income	(1.3)	(4.3)	(12.0)
Finance expense	3.7	8.0	22.0
Income tax expense	2.4	5.7	31.9
Operating profit before changes in working capital and provisions	19.2	30.3	154.9
Decrease/(increase) in inventories, trade and other receivables	1.3	(4.1)	10.0
Increase in development properties	(0.2)	(1.9)	(6.2)
Decrease in trade and other payables	(6.7)	(6.7)	(10.9)
Increase /(decrease) in provisions and employee benefits	-	0.1	(0.7)
Cash generated from operations	13.6	17.7	147.1
Interest paid	(2.9)	(3.2)	(18.7)
Interest received	0.5	1.7	4.8
Income taxes paid	(2.4)	(3.9)	(22.8)
Net cash generated from operating activities	8.8	12.3	110.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	-	0.8
Investment in financial assets	-	0.9	10.6
Proceeds less expenses from aborted sale of a subsidiary	-	-	27.3
Dividends received from associates	7.1	5.2	12.3
Acquisitions of minority interests	-	-	(1.9)
Increase in loan to joint venture	(0.9)	(0.4)	(2.3)
Increase in investment in joint ventures and associates	(0.7)	(7.5)	(25.5)
Acquisition of property, plant and equipment, and lease premium prepayment	(5.7)	(8.2)	(64.6)
Net cash used in investing activities	(0.2)	(10.0)	(43.3)
Cash flows from financing activities			
Proceeds from the issue of share capital	-	0.1	0.7
Repayment of borrowings	(62.9)	(3.5)	(134.4)
Drawdown of borrowings	1.0	10.3	101.8
Loan arrangement fees	(1.0)	-	-
Share buy back of minority interests	-	-	(9.4)
Dividends paid to minority interests	-	-	(3.4)
Dividends paid to equity holders of the parent	-	-	(15.0)
Net cash (used in)/generated from financing activities	(62.9)	6.9	(59.7)
Net (decrease)/increase in cash and cash equivalents	(54.3)	9.2	7.4
Cash and cash equivalents at beginning of period	209.3	155.9	155.9
Effect of exchange rate fluctuations on cash held	(1.3)	3.7	46.0
Cash and cash equivalents at end of the period	153.7	168.8	209.3
Reconciliation of cash and cash equivalents			
Cash and cash equivalents shown in the balance sheet	154.0	169.1	212.1
Overdraft bank accounts included in borrowings	(0.3)	(0.3)	(2.8)
Cash and cash equivalents for cash flow statement purposes	153.7	168.8	209.3

Notes to the interim management statement

1. General information

Basis of preparation

The first quarter results for Millennium & Copthorne Hotels plc ('the Company') to 31 March 2009 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interests in joint ventures and associates.

The first quarter results were approved by the Board of Directors on 5 May 2009.

The financial information set out in this interim management statement does not constitute the Group's statutory accounts for the quarter ended 31 March 2009. Statutory accounts for 2008 will be delivered to the registrar of companies following the Annual General Meeting to be held on 6 May 2009. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Whilst the financial information included in this interim management statement has been prepared in accordance with IFRS, this statement does not itself contain sufficient information to comply with all disclosure requirements of IFRS. Information contained in this statement relating to the year ended 31 December 2008 has been extracted from the full IFRS compliant Annual Report and Accounts that was approved on 17 February 2009.

Other than adopting: (i) FRS 8 *Operating Segments* for its 2009 consolidated financial statements and restating segment comparatives; (ii) the amended IAS40 'Investment Property' and; (iii) introducing a 'Statement of Comprehensive Income' to replace a 'Statement of Recognised Income and Expense', the results have been prepared applying the accounting policies and presentation that were used in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2008. The consolidated financial statements of the Group for the financial year ended 31 December 2008 are available from the Company's website www.millenniumhotels.co.uk.

The financial statements are presented in the Company's functional currency of sterling, rounded to the nearest hundred thousand.

Non-GAAP information

Headline profit before tax, headline operating profit, headline EBITDA

Reconciliation of headline profit before tax, headline operating profit and headline EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to the closest equivalent GAAP measure, profit before tax is provided in note 2 'Segmental analysis'.

Net debt and gearing percentage

An analysis of net debt and calculated gearing percentage is provided in note 9.

2. Segmental analysis

The Group has adopted IFRS 8 *Operating Segments* for its 2009 consolidated financial statements and comparatives have been restated. Segmental information is principally presented in respect of the Group's geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items principally comprise: interest-bearing loans, borrowings and net finance expense, taxation balances and corporate expenses.

Geographical segments

The hotel and operations are managed on a worldwide basis and operate in seven principal geographical areas:

- New York
- Regional US
- London
- Rest of Europe
- Singapore
- Rest of Asia
- Australasia

In presenting information on the basis of geographical segments, segment results and assets are based on the geographical location of the assets.

Notes to the interim management statement

2. Segmental analysis (continued)

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
First Quarter 2009									
Revenue									
Hotel	19.0	25.3	19.4	23.7	27.2	29.2	11.9	-	155.7
Property operations	-	0.5	-	-	0.6	-	0.3	-	1.4
Total Revenue	19.0	25.8	19.4	23.7	27.8	29.2	12.2	-	157.1
Hotel Gross Operating Profit	1.3	1.9	9.1	6.2	13.6	10.1	5.4		47.6
Hotel fixed charges ¹	(5.1)	(5.8)	(3.1)	(4.9)	(7.4)	(4.4)	(1.7)	-	(32.4)
Hotel operating profit/(loss)	(3.8)	(3.9)	6.0	1.3	6.2	5.7	3.7	-	15.2
Property operations operating profit	-	(0.4)	-	-	0.4	-	(0.1)	-	(0.1)
Central costs	-	-	-	-	-	-	-	(4.8)	(4.8)
Share of joint ventures and associates operating profit	-	-	-	-	3.1	1.7	-	-	4.8
Headline operating profit/(loss)	(3.8)	(4.3)	6.0	1.3	9.7	7.4	3.6	(4.8)	15.1
Add back depreciation and amortisation	1.5	2.5	1.3	1.0	0.1	1.4	0.4	0.3	8.5
Headline EBITDA ²	(2.3)	(1.8)	7.3	2.3	9.8	8.8	4.0	(4.5)	23.6
Depreciation and amortisation									(8.5)
Share of interest, tax and minority interests of joint ventures and associates operating income									(1.7)
Operating profit									13.4
Net financing expense									(2.4)
Profit before tax									11.0

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
First Quarter 2008									
Revenue									
Hotel	22.4	22.4	20.4	24.5	26.5	27.6	14.6	-	158.4
Property operations	-	0.4	-	-	0.4	0.5	1.0	-	2.3
Total Revenue	22.4	22.8	20.4	24.5	26.9	28.1	15.6	-	160.7
Hotel Gross Operating Profit	6.7	2.3	9.0	7.2	14.1	9.8	6.9		56.0
Hotel fixed charges ¹	(3.7)	(4.2)	(3.1)	(4.2)	(7.5)	(3.6)	(2.5)	-	(28.8)
Hotel operating profit	3.0	(1.9)	5.9	3.0	6.6	6.2	4.4	-	27.2
Property operations operating profit	-	(0.1)	-	-	0.3	-	0.3	-	0.5
Central costs	-	-	-	-	-	-	-	(4.8)	(4.8)
Share of joint ventures and associates operating profit	-	-	-	-	2.3	2.9	-	-	5.2
Headline operating profit/(loss)	3.0	(2.0)	5.9	3.0	9.2	9.1	4.7	(4.8)	28.1
Add back depreciation and amortisation	1.1	1.8	1.3	1.1	0.1	1.2	0.5	0.1	7.2
Headline EBITDA ²	4.1	(0.2)	7.2	4.1	9.3	10.3	5.2	(4.7)	35.3
Depreciation and amortisation									(7.2)
Share of interest, tax and minority interests of joint ventures and associates operating income									(2.4)
Operating profit									25.7
Net financing expense									(3.7)
Profit before tax									22.0

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

² Earnings before interest, tax, depreciation and amortisation

Notes to the interim management statement
2. Segmental analysis (continued)

Full Year 2008	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Central Costs £m	Total Group £m
Revenue									
Hotel	112.3	110.7	93.8	104.6	115.0	114.9	44.8	-	696.1
Property operations	-	1.5	-	-	1.8	0.6	2.9	-	6.8
Total Revenue	112.3	112.2	93.8	104.6	116.8	115.5	47.7	-	702.9
Hotel Gross Operating Profit	43.6	20.9	46.8	31.8	62.2	43.2	17.7	-	266.2
Hotel fixed charges ¹	(16.7)	(18.5)	(12.4)	(17.1)	(33.4)	(14.2)	(8.4)	-	(120.7)
Hotel operating profit	26.9	2.4	34.4	14.7	28.8	29.0	9.3	-	145.5
Property operations operating profit	-	(2.0)	-	-	1.1	-	0.6	-	(0.3)
Central costs	-	-	-	-	-	-	-	(21.0)	(21.0)
Share of joint ventures and associates operating profit	-	-	-	-	12.4	6.9	-	-	19.3
Headline operating profit	26.9	0.4	34.4	14.7	42.3	35.9	9.9	(21.0)	143.5
Add back depreciation and amortisation	4.8	7.7	5.4	3.9	0.4	5.3	1.6	0.9	30.0
Headline EBITDA ²	31.7	8.1	39.8	18.6	42.7	41.2	11.5	(21.0)	173.5
Depreciation and amortisation									(30.0)
Share of interest, tax and minority interests of joint ventures and associates operating income									(7.6)
Operating profit									135.9
Net financing expense									(10.0)
Headline profit before tax									125.9
Other operating income - Group									31.4
Other operating income - share of joint ventures and associates									3.6
Other operating expense - share of joint ventures and associates									(20.4)
Share of interest, tax and minority interests of joint ventures and associates other operating expense/(income)									(2.6)
Impairment									
- Joint ventures investments and loans									(19.6)
- Hotels									(8.1)
- Other property									(7.4)
Profit before tax									102.8

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

² Earnings before interest, tax, depreciation and amortisation

Notes to the interim management statement

2. Segmental analysis (continued)

Segmental assets and liabilities

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
As at 31 March 2009								
Hotel operating assets	382.4	336.4	446.0	226.8	201.1	503.4	134.3	2,230.4
Hotel operating liabilities	(15.0)	(28.3)	(16.8)	(23.0)	(124.9)	(38.6)	(7.1)	(253.7)
Investments in and loans to joint ventures and associates	-	-	-	-	175.7	159.6	-	335.3
Total hotel operating net assets	367.4	308.1	429.2	203.8	251.9	624.4	127.2	2,312.0
Property operating assets	-	36.5	-	-	49.5	8.4	59.4	153.8
Property operating liabilities	-	(0.5)	-	-	(1.5)	-	(0.5)	(2.5)
Total property operating net assets	-	36.0	-	-	48.0	8.4	58.9	151.3
Deferred tax liabilities								(251.4)
Income taxes payable								(30.0)
Net debt								(278.7)
Net assets								1,903.2

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
As at 31 March 2008								
Hotel operating assets	280.8	233.8	446.7	227.2	133.2	448.5	119.9	1,890.1
Hotel operating liabilities	(7.8)	(26.6)	(19.3)	(19.9)	(102.4)	(30.6)	(8.6)	(215.2)
Investments in and loans to joint ventures and associates	-	-	-	-	169.0	96.7	-	265.7
Total hotel operating net assets	273.0	207.2	427.4	207.3	199.8	514.6	111.3	1,940.6
Property operating assets	-	34.6	-	-	45.3	-	55.3	135.2
Property operating liabilities	-	(0.1)	-	-	(0.6)	-	(0.6)	(1.3)
Total property operating net assets	-	34.5	-	-	44.7	-	54.7	133.9
Deferred tax liabilities								(200.9)
Income taxes payable								(17.3)
Net debt								(258.1)
Net assets								1,598.2

	New York £m	Regional US £m	London £m	Rest of Europe £m	Singapore £m	Rest of Asia £m	Australasia £m	Total Group £m
As at 31 December 2008								
Hotel operating assets	378.5	350.3	447.9	233.9	175.2	529.3	127.4	2,242.5
Hotel operating liabilities	(10.3)	(34.9)	(19.2)	(18.8)	(128.4)	(47.1)	(7.3)	(266.0)
Investments in and loans to joint ventures and associates	-	-	-	-	183.7	155.0	-	338.7
Total hotel operating net assets	368.2	315.4	428.7	215.1	230.5	637.2	120.1	2,315.2
Property operating assets	-	25.1	-	-	54.2	7.7	55.5	142.5
Property operating liabilities	-	(0.9)	-	-	(0.5)	(0.7)	(1.0)	(3.1)
Total property operating net assets	-	24.2	-	-	53.7	7.0	54.5	139.4
Deferred tax liabilities								(258.1)
Income taxes payable								(30.5)
Net debt								(285.1)
Net assets								1,880.9

3. Share of joint ventures and associates interest, tax and minority interests

	First Quarter 2009 £m	First Quarter 2008 £m	Full Year 2008 £m
Interest	(0.7)	(0.6)	(3.5)
Tax	(0.8)	(0.7)	(2.8)
Minority interests	(0.2)	(1.1)	(3.9)
	(1.7)	(2.4)	(10.2)

Notes to the interim management statement

4. Income tax expense

The Group has recorded a £2.4m total income tax expense for the first quarter 2009 (first quarter 2008: £5.7m), excluding the tax relating to joint ventures and associates. This comprises a UK tax charge of £0.6m and an overseas tax charge of £1.8m (first quarter 2008: a UK charge of £0.7m and an overseas tax charge of £5.0m). For the full year 2008 the £31.9m total income tax expense comprised a UK tax charge of £14.5m and an overseas tax charge of £17.4m.

Income tax expense for the relevant period is the expected income tax payable on the taxable income for the period, calculated at the estimated average annual effective income tax rate applied to the pre-tax income of the period.

A tax charge of £0.8m (2008: £0.7m) relating to joint ventures and associates is included in the reported profit before tax.

The estimated annual effective rate applied to profit before income tax excluding the Group's share of joint ventures and associates profits is 30.4%. For the comparative periods, the Group's effective tax rate was 29.7% (first quarter 2008) and 26.0% (full year 2008).

5. Earnings per share

Earnings per share are calculated using the following information:

	First Quarter 2009 £m	First Quarter 2008 £m	Full Year 2008 £m
(a) Basic			
Profit for period attributable to holders of the parent (£m)	6.9	14.1	64.0
Weighted average number of shares in issue (m)	302.3	296.4	300.0
Basic earnings per share (pence)	2.3p	4.8p	21.3p
(b) Diluted			
Profit for period attributable to holders of the parent (£m)	6.9	14.1	64.0
Weighted average number of shares in issue (m)	302.3	296.4	300.0
Potentially dilutive share options under Group's share option schemes (m)	-	0.2	0.1
Weighted average number of shares in issue (diluted) (m)	302.3	296.6	300.1
Diluted earnings per share (pence)	2.3p	4.8p	21.3p
(c) Headline earnings per share			
Profit for the period attributable to holders of the parent (£m)	6.9	14.1	64.0
Adjustments for:			
- Other operating income (net of tax) (£m)	-	-	(31.4)
- Impairment (net of tax) (£m)	-	-	29.1
- Share of other operating expense of joint ventures and associates (net of tax) (£m)	-	-	19.6
- Change in UK tax legislation on hotel tax allowances (£m)	-	-	10.3
- Change in tax rates on opening deferred taxes (£m)	-	-	(4.2)
Adjusted profit for the period attributable to holders of the parent (£m)	6.9	14.1	87.4
Weighted average number of shares in issue (m)	302.3	296.4	300.0
Headline earnings per share (pence)	2.3p	4.8p	29.1p
(d) Diluted headline earnings per share			
Adjusted profit for the period attributable to holders of the parent (£m)	6.9	14.1	87.4
Weighted average number of shares in issue (diluted) (m)	302.3	296.6	300.1
Diluted headline earnings per share (pence)	2.3p	4.8p	29.1p

Notes to the interim management statement

6. Reconciliation of Group equity

	Share Capital £m	Share Premium and reserves £m	Total excluding minority interests £m	Minority interests £m	Total equity £m
At 1 January 2008	88.9	1,334.6	1,423.5	130.2	1,553.7
Total recognised income and expense	-	37.4	37.4	6.8	44.2
Share options exercised	-	0.1	0.1	-	0.1
Equity settled transactions	-	0.2	0.2	-	0.2
At 31 March 2008	88.9	1,372.3	1,461.2	137.0	1,598.2
Total recognised income and expense	-	289.8	289.8	22.4	312.2
Dividends paid - Group	-	(37.2)	(37.2)	-	(37.2)
Issue of shares in lieu of dividends	1.7	20.5	22.2	-	22.2
Share options exercised	0.1	0.5	0.6	-	0.6
Share buyback of minority interests	-	-	-	(12.6)	(12.6)
Equity settled transactions	-	0.9	0.9	-	0.9
Dividends paid - minority	-	-	-	(3.4)	(3.4)
At 31 December 2008	90.7	1,646.8	1,737.5	143.4	1,880.9
Total recognised income and expense	-	17.9	17.9	4.0	21.9
Equity settled transactions	-	0.4	0.4	-	0.4
At 31 March 2009	90.7	1,665.1	1,755.8	147.4	1,903.2

7. Other operating income

There is no other operating income for the period ended 31 March 2009. For the year ended 31 December 2008, the Group recorded a £31.4m gain on the aborted sale of CDL Hotels (Korea) Limited, a wholly-owned subsidiary of M&C with one principal asset, the Millennium Seoul Hilton Hotel. A non-refundable cash deposit paid by the buyer was forfeited as the buyer was unable to complete the transaction and that resulted in the Group recording a £31.4m gain.

8. Impairment

There was no impairment in the three months ended 31 March 2009 (2008: £nil). Details of the impairment relating to the year ended 31 December 2008 are set out below:

Joint ventures investments and loans

The carrying value of the Group's investments in Beijing and Bangkok were written down by an aggregate of £19.6m and comprised £12.2m investments and a £7.4m provision for loans. This followed a review of the difficult economic conditions and over supplied hotel situation in Beijing post the Olympics and the unstable political conditions affecting business in Thailand.

Hotels

The Directors undertook an annual review of the carrying value of hotel and property assets for indications of impairment and where appropriate external valuations were also undertaken. An impairment charge of £8.1m was made and related to 6 hotels in the US and UK as well as land in India.

Other property

An impairment charge of £7.4m was made in respect of Sunnyside for the year ended 31 December 2008 based on an external professional valuation obtained.

Notes to the interim management statement

9. Non-GAAP measures

Headline profit before tax, headline operating profit, headline EBITDA

Reconciliation of headline profit before tax, headline operating profit and headline EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to the closest equivalent GAAP measure, profit before tax is provided in the note 2 'Segmental analysis'.

Net debt

In presenting and discussing the Group's indebtedness and liquidity position, net debt is calculated. Net debt is not defined under IFRS. The Group believes that it is both useful and necessary to communicate net debt to investors and other interested parties, for the following reasons:

- net debt allows the Company and external parties to evaluate the Group's overall indebtedness and liquidity position;
- net debt facilitates comparability of indebtedness and liquidity with other companies, although the Group's measure of net debt may not be directly comparable to similarly titled measures used by other companies; and
- it is used in discussions with the investment analyst community.

Analysis of net debt and calculated gearing percentage is provided below. Gearing is defined as net debt as a percentage of total equity attributable to equity holders of the parent.

	As at 31 March 2009 £m	As at 31 March 2008 £m	As at 31 December 2008 £m
Net Debt			
Cash and cash equivalents (as per cash flow statement)	153.7	168.8	209.3
Bank overdrafts (included as part of borrowings)	0.3	0.3	2.8
Cash and cash equivalents (as per the consolidated balance sheet)	154.0	169.1	212.1
Interest-bearing loans, bonds and borrowings - Non-current	(326.4)	(313.9)	(415.1)
- Current	(106.3)	(113.3)	(82.1)
Net debt	(278.7)	(258.1)	(285.1)
Gearing (%)	15.9%	17.7%	16.4%

**APPENDIX 1: Key operating statistics
for the three months ended 31 March 2009**

	First Quarter 2009 Reported currency	First Quarter 2008 Constant Currency	First Quarter 2008 Reported currency	Full Year 2008 Reported currency
Occupancy %				
New York	64.2		78.7	84.7
Regional US	49.3		56.2	59.9
Total US	52.8		61.4	65.6
London	79.0		77.7	84.4
Rest of Europe	63.3		67.0	70.9
Total Europe	70.3		71.7	76.9
Singapore	70.5		84.1	83.6
Rest of Asia	68.2		71.2	70.0
Total Asia	69.2		76.7	75.8
Australasia	74.8		80.3	66.5
Total Group	64.2		70.4	71.2
Average Room Rate (£)				
New York	146.40	191.85	138.83	163.08
Regional US	64.01	65.55	47.44	55.23
Total US	88.77	102.98	74.52	87.41
London	92.62	94.40	94.40	101.36
Rest of Europe	81.24	86.03	78.78	79.60
Total Europe	86.90	90.04	86.25	90.16
Singapore	89.09	107.66	82.63	88.59
Rest of Asia	70.37	73.61	63.31	66.08
Total Asia	78.59	89.60	72.38	76.72
Australasia	46.71	48.63	51.06	46.29
Total Group	79.00	88.11	73.44	80.32
RevPAR (£)				
New York	93.99	150.99	109.26	138.13
Regional US	31.56	36.84	26.66	33.08
Total US	46.34	63.23	45.76	57.34
London	73.17	73.35	73.35	85.55
Rest of Europe	51.42	57.64	52.78	56.44
Total Europe	61.09	64.56	61.84	69.33
Singapore	62.81	90.54	69.49	74.06
Rest of Asia	47.99	52.41	45.08	46.26
Total Asia	54.38	68.72	55.52	58.15
Australasia	34.94	39.05	41.00	30.78
Total Group	50.72	62.03	51.70	57.19
Gross Operating Profit Margin (%)				
New York	6.8		29.9	38.8
Regional US	7.5		10.3	18.9
Total US	7.2		20.1	28.9
London	46.9		44.1	49.9
Rest of Europe	26.2		29.4	30.4
Total Europe	35.5		36.1	39.6
Singapore	50.0		53.2	54.1
Rest of Asia	34.6		35.5	37.6
Total Asia	42.0		44.2	45.8
Australasia	45.4		47.3	39.5
Total Group	30.6		35.4	38.2

For comparability the 31 March 2008 Room Rate and RevPAR have been translated at 31 March 2009 exchange rates.

**APPENDIX 2: Hotel Room Count and Pipeline
for the first quarter ended 31 March 2009**

Hotel and room count	Hotels			Rooms		
	31 March 2009	31 December 2008	31 March 2008	31 March 2009	31 December 2008	31 March 2008
Analysed by region:						
New York	3	3	3	1,746	1,746	1,746
Regional US	16	17	17	5,727	6,025	6,025
London	7	7	7	2,487	2,487	2,487
Rest of Europe	18	17	17	3,213	3,073	3,073
Middle East	8	9	8	2,416	2,689	2,581
Singapore	5	5	5	2,390	2,390	2,366
Rest of Asia	15	15	12	6,890	6,913	5,695
Australasia	30	30	32	3,533	3,477	3,618
Total	102	103	101	28,402	28,800	27,591
Analysed by ownership type:						
Owned and leased	67	68	68	20,809	21,131	20,680
Managed	17	17	16	3,859	4,011	3,903
Franchised	13	13	13	1,883	1,807	1,399
Investment	5	5	4	1,851	1,851	1,609
Total	102	103	101	28,402	28,800	27,591
Analysed by brand:						
Grand Millennium	4	4	3	1,657	1,666	1,145
Millennium	39	40	40	13,922	14,222	14,222
Copthorne	35	34	34	7,110	6,950	6,565
Kingsgate	14	14	14	1,425	1,375	1,314
Third party	10	11	10	4,288	4,587	4,345
Total	102	103	101	28,402	28,800	27,591
Pipeline						
	31 March 2009	31 December 2008	31 March 2008	31 March 2009	31 December 2008	31 March 2008
Analysed by region:						
Regional US	1	1	1	250	250	250
Rest of Europe	3	2	2	614	340	340
Middle East	8	10	11	2,822	3,418	2,913
Singapore	1	1	1	370	370	370
Rest of Asia	3	3	4	790	790	1,644
Total	16	17	19	4,846	5,168	5,517
Analysed by ownership type:						
Owned or leased	2	2	3	620	620	1,141
Managed	13	14	15	4,106	4,428	3,923
Franchised	-	-	1	-	-	453
Investment	1	1	-	120	120	-
Total	16	17	19	4,846	5,168	5,517
Analysed by brand:						
Grand Millennium	-	-	1	-	-	521
Millennium	10	10	10	3,388	3,555	2,942
Copthorne	1	1	2	240	140	593
Kingsgate	2	2	3	478	478	586
Other	3	4	3	740	995	875
Total	16	17	19	4,846	5,168	5,517

During the three months ended 31 March 2009, the number of rooms in the pipeline (contracts signed but hotels/rooms yet to open under one of the Group's brands) decreased by 322 to 4,846 (2008: 5,168 rooms). Two new management contracts were signed in Europe, the 174-room Millennium Hotel Liverpool and the 240-room Copthorne Hotel Liverpool.

The Group also opened one new property in Europe under a management contract, the 140-room Copthorne Hotel Sheffield. In the US, the 299-room Wynfield Inn Orlando Convention Center was closed in February 2009 and in the Middle East, the managed contract for the 298-room Millennium Oy Oun Hotel Sharm el Sheikh ceased.