MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT

2023 ANNUAL SHAREHOLDER MEETING – REMARKS BY MCK'S CHAIRMAN

MCK Today
Our business can be categorised into three areas – our New Zealand hotel network, a small presence in Australia which we are looking to grow, and our 66% shareholding in CDL Investments NZ.

Our Hotels Business
MCK is one of New Zealand's largest hotel owner / operators, with 18 hotels and 2,250 rooms. Our hotels operate under three global brands – Leng's Collection –incorporating the M Social Hotels; Millennium Collection; and Copthorne Collection - which includes the Kingsgate branded hotels. These brands are well known and trusted by travellers, who are more likely to choose a familiar and quality name.

In 2019, around 15% of international visitors to New Zealand, also visited Australia, providing us with the opportunity to expand our footprint and be their hotel of choice in both countries. We are continuing to sell down our interest in the Zenith Residences in Sydney, which, as a mixed use commercial and residential building, is not within our core strategy.

CDL Investments NZ (NZX: CDI)
We also have a majority shareholding in CDL Investments NZ, an NZX-listed investment company focused on residential and commercial land development. CDI has provided us with a diversified property portfolio and revenue stream, which has proved invaluable over the last three years.

Lookback: Three year impact of Covid
As we have said many times before, the pandemic has had a significant impact on the hotel industry, with the closure of borders to international visitors resulting in a dramatic decrease in demand for hotel rooms and lost revenue. Average occupancy rates in New Zealand hotels dropped to 47% in 2020, compared to 80% in 2019.

We learnt that we needed to react and adapt quickly and, while many other hospitality businesses closed up shop, Millennium & Copthorne survived and is now well positioned for the sector recovery.

While the sector overall still faces challenges including rising costs and workforce shortages, we are optimistic about the future as we look to revive and grow our business. Hotel occupancy is recovering quickly and reached 80% in March 2023, for the first time in three years.

Meanwhile, CDI performed strongly, benefitting from rising property values over the past three years and long term demand for housing, underpinned by undersupply. CDI also completed the development of commercial warehouses located in Auckland which are now fully tenanted.

FY22 performance
As we said in our annual report, 2022 was a 'tough year'. That was not unexpected.
The Covid lockdowns in the North Island which started the year are now a distant memory but they impacted on our high season and hindered our earning ability for 2022.

Ongoing staff shortages throughout the year created additional challenges and while this was a problem which affected the whole industry, finding ways to address that satisfactorily was difficult.

If that was not already enough, cost inflation pressures added to what were already slim margins for our hotel operations. Unsurprisingly, our year end result for our hotels was a loss of $4 million which was disappointing given the amount of work it took to get to this point.

Our results were once again boosted by the returns from our majority-owned subsidiary CDL Investments NZ which had a good 2022 and posted a profit which matched its 2021 results. In addition, our Australian operations contributed apartment sales and ongoing rental income from the remaining owned apartments.
For MCK shareholders, the reviving of our hotel operations along with CDL Investments' and our Australian results over this year will continue to be key for our results as we make the journey to recovery.

Looking Forward: Revive and Thrive
This has been an opportune time to revisit and affirm our strategy.

Our goals are to be the preferred hotel choice for travellers in our region, to grow our footprint and to deliver value for our guests, our team and our shareholders.

We have formulated our strategy around three core pillars – People, Product and Profit. Stuart will talk more on each of these shortly.

In the short term, our focus is on reviving our business for the positive momentum expected in the tourism market post-Covid.

Over the medium to longer term, our focus will increasingly move towards growth of our hotel network in New Zealand and Australia.

Building a beachhead in Australia
Australia has always been of interest and we have evaluated a number of opportunities over the years as we sought the right property from which to create a beachhead for our hotel group into this country. Previous opportunities were either priced too high or did not meet our criteria of having a landmark property in a gateway city.

We were delighted to recently announce the conditional acquisition of Sofitel Brisbane Central hotel, for AUD$177.7 million. This is being done through a 50:50 joint venture with our parent company, Millennium & Copthorne Hotels. Their support was an important factor in our ability to acquire this highly desirable landmark property.

The conditional acquisition followed a competitive process with a number of bidders.

Both MCK and M&C Hotels had separate deal teams and the Board formed a Due Diligence Committee comprising independent directors, Graham McKenzie and Leslie Preston.

From the outset, truly independent consideration of the transaction was paramount – with independent legal and tax experts engaged - and the Committee was very careful to ensure that this was done at all stages of the due diligence process. Graham and Leslie put in enormous hours as did the senior management team to complete the due diligence work and to recommend this transaction to the Board after very careful consideration.

We sought a waiver from the NZX because the transaction was initially likely to be entered into in late January when it would be practically very difficult to obtain reports and convene meetings and have dialogue.

Normally when NZX considers related party transactions it involves an acquisition from one related party by another related party. That is not the case here.

In entering into this acquisition, we are doing so alongside our parent company Millennium & Copthorne Hotels based in the UK on a 50-50 basis and to acquire the hotel from Brookfield Asset Management.

The key requirement in considering this acquisition has been to ensure that it is in the best interests of the company and all shareholders. The Independent Directors considered and signed off to NZX that they had considered the acquisition without influence from the majority shareholder. We can assure you that we took this responsibility very seriously and provided a certificate confirming this.

The proposed acquisition is priced attractively and as we have outlined will be funded from our existing cash reserves, which are mostly held in Australian dollars from the sale of the Zenith apartments, in Sydney.
We believe that the Brisbane Central Hotel acquisition is a great opportunity for our company. It provides a beachhead for our hotel network into Australia, will support our goal of delivering sustainable, long term shareholder value and, strategically, is the best use of our funds in Australia. The price was attractive and the hotel's strong reputation in the Queensland market made it compelling.

Strong platform to build shareholder value
While there are still challenges in the sector, we have a cautious but positive outlook as we revive and grow our business in an improving market. The Board feels optimistic that MCK and the New Zealand tourism industry as a whole will see better days ahead.

We are positioning ourselves to maintain our competitive advantages which we had pre-pandemic and, with Stuart at the helm, our focus is now very much on the revival and growth of the business, both in terms of revenue and profit.
We have a strong balance sheet to support our strategic initiatives. We have trusted and internationally recognised brands and a well positioned hotel network across New Zealand. We expect CDI and our Australian operations to continue their solid performance, providing a valuable diversified income stream for our group.

We are moving forward with a growth strategy, a strong leadership team and a great business foundation – and look forward to creating value for our shareholders.

Thank you for listening. I will now hand over to MCK's managing director, Stuart Harrison.

<u>2023 ANNUAL SHAREHOLDER MEETING – REMARKS BY MCK'S MANAGING DIRECTOR</u>

E ngā mana, E ngā waka, E ngā reo,

Ko Stuart Harrison ahau E rau Rangitira ma

Tēnā koutou Tēnā koutou Tēnā koutou katoa

Thank you Colin and thank you to all those attending today. [I have sat at the front table for 39 Annual Meetings and] I'm pleased to be speaking to you for the first time as MCK's managing director.

I am now almost 12 months into the role and thought it might be useful to provide you some insights about what I've seen over that time and also expand on some of what I said in our most recent annual report.

Firstly, the positives are many and wide ranging. It has been great to work with people I have worked with before both within our management and operational teams and some of the directors on the Board.

We have teams with a deep knowledge of our operations and business.

Tapping into this knowledge base has been absolutely critical in being able to articulate the strategic vision I would like to share with you shortly.

Shareholders can take comfort in knowing that we all share an absolute determination to do the best we can to maximise our returns.

On the other hand, the challenges are many given where the industry is at and I have looked to make new appointments in areas which are critical to our business.

I am pleased to welcome our new Director of Information Technology Nathan Kruger who brings to MCK extensive industry experience in IT systems and networks.

Our IT systems are critical to our service experience and marketing and Nathan has commenced a wide ranging review of our technology and how we can use our existing tools more effectively, as well as looking at what other tech we can bring on board to make our operations more efficient.

Looking Forward: Revive and Thrive
The work that all our senior leadership team are doing feeds into the vision and focus we have for MCK. Put simply, our very clear focus is on People, Product and Profit. I would like to take you through each of those topics and outline what we are doing now and some of our future projects as well.

People
Firstly People. This encompasses two key groups – firstly our guests and secondly, our team.

We know how important the people element is in hospitality and the expectations our guests have when they arrive and stay at our hotels. Those expectations have only increased as we return to normal operations without restrictions.

Service excellence has been key to our success and even during the pandemic with social distancing requirements, we did what we could to provide the warmest of welcomes and a memorable stay.

We know that service excellence comes from within and we need to deliver the same service excellence element for our team as we do to our guests.

Colin touched on the difficulties we have had in relation to the recruitment and retaining of people in this difficult environment and I echo that concern.

Staff challenges are still our biggest headache and ensuring that we have sufficient people to handle the increased level of business we are seeing now and into the future will remain the top focus for our Hotel General Managers and HR teams this year.

I am pleased to welcome our new Director of Human Resources Lisa Maclean who has hit the ground running and is working on re-energising our HR teams and setting new priorities and plans for recruitment and retention.

Lisa is looking to develop training and awareness to benefit service standards for both our external and internal customers. That will also be reflected in how we recruit, train and develop our teams going forward.

One important aspect of our team focus has been the shift of our corporate / support office from the Queen Street address which we occupied for about thirty years to a new, modern open plan workspace in Custom Street East. Our new workspace has been designed to encourage collaboration and we are already seeing the benefits in more productive and energized teams. [A new coffee machine has also helped !]

Product
We have two core products in our business – firstly, our hotel network, and secondly, our investment in CDI.
We are looking to exit our apartment investment in Sydney and aim to accelerate apartment sales, which will release cash resources for the purchase of the Brisbane Central Hotel. Our target is to complete the sale of the majority of our units [within the next twelve to twenty four months] depending on market circumstances.

Covid had an interesting effect on our hotel properties, both good and bad. On the upside, the reduced occupancy demand provided an opportunity to catch up on maintenance and put together plans for refurbishments which were frankly overdue and needed to be done to ensure we maintained our guest experience expectations.

On the other hand, the hotels which handled the managed isolation work got more of a workout across two years than they might otherwise have seen over four or five normal years. This has meant accelerating refurbishment and maintenance plans to ensure that they remain competitive and functional.

Key hotel property projects
Our Property Management teams have recently been augmented and tasked to look at a number of key projects, some of which I would like to speak about now.

The refurbishment of Millennium Hotel Queenstown is progressing well and largely on schedule. As you will have seen in the 2022 Annual Report, the public areas and some of the guestrooms have been extensively redone and now reflect a contemporary look and feel. We have completed level 4, and are on track to complete levels 1 and 2 shortly with the aim that all floors and rooms are completed for the 2024 high season.

Soft refurbishment works were also completed during the last year at M Social Auckland. You might not have noticed some of the subtle, but key changes to some of our public area furnishings and design changes within our Beast & Butterflies restaurant area. [– and don't forget to look out for HARI – the ButlerBot].
You will also have seen in the annual report our concept rooms for an upcoming refurbishment at our property in the Bay of Islands. The concept designs reflect the beauty of the local environment and will ensure that Copthorne Hotel & Resort Bay of Islands remains as the preferred choice for accommodation around the Bay of Islands for both tourists and conference and meeting guests. We are seeking building consents for this and expect to commence shortly with refurbished rooms becoming available before the end of this year.

We are also looking at work at some of our other hotels. This regular updating and refurbishments of our hotels is vital to our future success and strategy.

Building a beachhead in Australia
The conditional Brisbane Central Hotel acquisition is a great example of our growth strategy in action and provides us with a footprint from which to grow our presence in Australia.
The Australian population has grown by 33% over the past two decades and has crossed over the 26 million mark. The importance of that population size is that ~70% of the Australian tourism industry spend is from that large domestic market.

Brisbane – world class tourism
Within the Brisbane CBD there is over A$20.0 billion of infrastructure projects taking place which will enhance Brisbane's position as a world class tourism and events destination. This will include hosting major sporting events such as the 2023 FIFA Women's World Cup, the 2027 Men's and 2029 Women's Rugby World Cup and the 2032 Summer Olympics and Paralympic Games. Business events include the likes of the 2025 Baptist World

Congress –with ~6,000 delegates and the 2025 International Population Conference –with ~2,000 delegates expected.

Brisbane Central 5-star Hotel
So let me walk you through some of the key details of this proposed acquisition.

This is a 5-star hotel consisting of 416 rooms comprising of 379 room and 37 suites.

Facilities include restaurants, bar and club lounge, a 798 sqm Grand Ballroom, outdoor swimming pool and 2 gyms – note that one of the gyms is a high performance gym with the hotel having hosted national and international rugby, cricket and football teams.

It is strategically located in the Brisbane CBD overlooking Anzac Square and with direct access to the Central Railway Station – providing access to/from the airport and local business precincts, the Convention Centre and sports grounds.

Brisbane Central Hotel acquisition
The hotel is on a 99 year lease with 97 years remaining and the pending settlement is due to our need to obtain landlord consents and FIRB approval – which we expect will allow for settlement to be completed in the second half of 2023. At settlement date all of the existing hotel employees will transfer to being employees of the joint venture and will continue to be managed as a Sofitel Hotel.

After assessing a number of opportunities over the years, we believe this is a great opportunity to establish a hotel presence in Australia – a key part of our growth strategy.

CDL Investments NZ
As Colin mentioned, our 2022 results were boosted by the profit contribution from CDL Investments with CDI's 2022 result underpinned by the sale of a commercial landholding in Wiri, South Auckland.

As said in their presentations earlier today, they were pleased with the results achieved, especially given the rapidly changing market circumstances in the later part of the year.

High housing costs, mortgage rates and high cost of living is challenging for families and businesses alike and increased housing supply is providing greater choice.

CDI has completed developments at Kewa Road and Tram Valley Road subdivisions within the Auckland region, as well as two further stages at Prestons Park in Christchurch.

The company continues to lay the groundwork for its future with acquisitions of land within the Hawkes Bay, Waikato and Auckland. Master planning is underway in Hawkes Bay and Hamilton so as to as ensure the future demand for residential sections can be met.

With the success of commercial spaces and warehouses in its residential developments, CDI has increased its focus on this part of its portfolio and completed the development of commercial premises in South Auckland and Christchurch with four of these retained and now fully tenanted. This assists in providing diversification and is a logical extension for the company.

While the property market has continued to soften, the long term outlook is positive, with robust demand and undersupply. CDI is well positioned with long term horizons and a diversified property portfolio.

Profit
Our final strategic priority is Profit. While the last three years have been extremely challenging, our business has continued to deliver a profit at a time when many others have closed their doors.

Our goals now are to drive improvement in our revenue and profit, invest in growth and deliver long term value to our shareholders.

We are also in the process of looking to develop our path to carbon reduction as part of the requirements to report on climate impact within our financial statements. We'll have more to say about that in due course but the Audit Committee and Senior Management teams have participated in workshops to look at how to address some of these issues and to develop our strategies in what is a very important area for us to address.

Trading Update Q1 FY23
With the New Zealand borders starting to re-open in June last year, there was a refreshing resurgence of business into the leisure locations of Bay of Islands, Rotorua, Queenstown and Te Anau.

To put it into context, this chart includes the Rooms Revenue for the 2022 year, as well as trading performance for the first quarter of 2023. This shows the impact on our business and the positive momentum we are now seeing.

Pleasingly, our rooms revenue in March 2023 was close to the average monthly revenue we were generating in 2019, pre-Covid.

We are optimistic that our New Zealand hotel operations will be profitable in their own right for 2023. Events such as the FIFA Women's World Cup in July and August this year will see a timely influx of overseas visitors across the country and the addition of new air services to key destinations in North America and Asia should help boost occupancies in locations where we have hotels.

However, for this financial year, we draw your attention to CDI's comments at their meeting earlier today where they signalled that 2023 will be particularly challenging as higher interest rates and the cost of living crisis affects us all. Put simply, based on the current market circumstances, maintaining a level of profit in 2023 that is consistent with the last two years will be difficult.

The effects of the rapid downward change in the market since late last year is reflected in the low number of sales they have been able to achieve over the last few months. We still expect that CDL Investments will make a positive contribution and our Zenith Apartments rental income and sales will further contributor to our profit, as the hotels journey to sustainable profitability continues.

Revive and Thrive FY23 to FY26
Our priority over the next four years is simple – to profitably grow our business.

We have an ambitious work plan focused on maximising opportunities for growth and will be looking at how we can improve our own operations and also identifying where and how we can grow, both in New Zealand and Australia.

We intend to leverage and use the strength of our balance sheet, which we have built up over many years, to support that growth and deliver the best possible results for all of you.

The Brisbane Central Hotel acquisition is the first step in our Revive and Thrive strategy that will see us pursue opportunities in Australia, while building out our New Zealand network. Those opportunities may be in hotel management, franchising, joint ventures or owning outright and we intend to keep an open mind as to how best to grow and strengthen our network and operations.

In an environment which is changing so rapidly and looking to move on from the pandemic, there will be unique opportunities which will not come again for a long time. We are well positioned to take advantage of those.

2023 Outlook
With the relaxing of pandemic restrictions and the reopening of the international borders we have seen a steady, but cautious response with room rates surging but occupancies still lagging from pre-pandemic levels.

Staff shortages have been a key limiting factor on occupancy, rather than the physical capacity of the property. We expect the staffing constraints to continue to ease and to resolve itself over the course of this year as we traverse through the winter months and brace for reviving with the summer influx.

New Zealand continues to rate highly as an international and domestic travel destination.

International visitor arrivals are increasing with added flight capacity now coming from new carriers and new routes out of the US, indications that India has placed new plane orders to meet their outbound demand, and expectations of a ramp up in demand as Chinese visitors return.
These increased room demands are tempered slightly by increasing costs – with indicators such as Food prices increasing 12% annually and pressure on additional key costs of energy, rates and insurance.

Well positioned to Revive and Thrive
It is an exciting time to be in the industries we are in. There is a lot of positive change happening and our team is ready and geared up for the challenges ahead.

We are strongly positioned to execute on our Revive and Thrive strategy and to drive growth.

Thank you for listening today. I hope that this gives you some insights in where we are looking to take the business and makes you as excited as I am about the prospects for our future.