

INTERCONTINENTAL HOTELS GROUP PLC /NEW/  
Form 6-K  
November 09, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 AND 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For 09 November 2010

InterContinental Hotels Group PLC  
(Registrant's name)

Broadwater Park, Denham, Buckinghamshire, UB9 5HJ, United Kingdom  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F      Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes      No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable

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EXHIBIT INDEX

99.1                      3rd Quarter Results

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Exhibit No: 99.1

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InterContinental Hotels Group PLC  
Third Quarter Results to 30 September 2010

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| Financial results            | 2010   | 2009     | % change | % change CER |
|------------------------------|--------|----------|----------|--------------|
| Revenue                      | \$421m | \$401m   | 5%       | 6%           |
| Operating profit             | \$115m | \$124m   | (7)%     | (8)%         |
| Total adjusted EPS           | 27.1¢  | 32.5¢    | (17)%    |              |
| Total basic EPS <sup>1</sup> | 35.8¢  | 23.4¢    | 53%      |              |
| Net debt                     | \$801m | \$1,159m |          |              |

All figures are before exceptional items unless otherwise noted. See appendices 2 and 3 for analysis of financial headlines.

Constant exchange rate comparatives shown in appendix 4. (% CER) = change in constant currency.

1 – total basic EPS after exceptional items.

#### Headlines

- Total gross revenue<sup>2</sup> from all hotels in IHG's system of \$5.1bn, up 13% at constant currency.
- Global constant currency third quarter RevPAR growth of 8.1%, driven by occupancy growth of 4.0 percentage points and rate growth of 1.8%.
- 7,149 rooms (51 hotels) added, 5,856 rooms (47 hotels) removed. Total system of 657,954 rooms (4,507 hotels), up 3%.
- 13,690 rooms (88 hotels) signed, taking the pipeline to 198,141 rooms (1,293 hotels).
- Third quarter operating profit increased 14% and year to date operating profit increased 19% excluding the impact of performance based long term incentive costs.
- Net debt of \$801m, down \$358m on 30 September 2009 and \$291m on 31 December 2009.

<sup>2</sup> - See appendix 5 for definition

#### Recent trading

- October global constant currency RevPAR growth of 8.1%; 8.0% Americas, 6.1% EMEA and 12.3% Asia Pacific.

#### Business Update

- Drive revenue share: The relaunch of Holiday Inn is close to completion with 2,815 hotels operating under the new standards, 82% of the total estate. By the end of the programme, around 750 new Holiday Inn brand family hotels will have opened, 635 underperforming hotels will have been removed and over 3,000 hotels will be operating to the new standards – a complete refresh of the global Holiday Inn estate. The relaunched hotels are outperforming strongly - in the US, third quarter RevPAR for hotels relaunched for more than one year increased 8%, 6 percentage points higher than non-relaunched hotels. The global roll-out of Hotel Indigo continues with 6 signings in the quarter and 20 in the year to date, including high priority markets like Bangkok and Taipei. The first Hotel Indigo in Asia opens in Shanghai later this year. The total Hotel Indigo pipeline is now 59 hotels, 13 outside the Americas. We continue to drive up the quality of the estate. We are on track to open around 40,000 rooms this year and have 75,000 new rooms under construction. Year to date 14,877 rooms have been removed. Total 2010 removals are expected to be in the region of 35,000 rooms as the Holiday Inn relaunch enters its final stages.

Focus on efficiency: Revenue growth and efficiency have driven year to date operating margins in the fee business<sup>2</sup> up over one percentage point. We are on track to deliver the sustainable savings identified in 2009. Year to date regional and central costs of \$182m are in line with 2009 levels before the impact of performance based incentive costs.

Commenting on the results, Andrew Cosslett, Chief Executive of InterContinental Hotels Group PLC said:

“The quarter saw a return to rate growth for the first time since early 2009, a clear sign that the recovery is gathering pace. Global RevPAR was up 8.1% with Greater China RevPAR increasing 24.4% and Europe, Middle East and Africa RevPAR grew at its fastest pace for two years.

“In the Americas, where RevPAR growth in the important midscale segment started to accelerate, the sharpest improvement was seen in our Holiday Inn brand family with guests staying more and paying more at the relaunched hotels. The wider benefits of the relaunch are clear with Holiday Inn signings in the US up on 2009.

“The attractiveness of our system and brand strength is reflected in our leading 17% share of the global pipeline of new build hotels, our re-entry into the priority Hawaii market with Holiday Inn and an alliance with Las Vegas Sands Corp to bring The Venetian and Palazzo Resorts into the InterContinental system.

“While visibility is still limited, business confidence and corporate profitability remain positive and, with supply anticipated to stay below historic levels, industry trends look favourable. With over 1,200 hotels in our development pipeline we expect to create over 160,000 new jobs in the next few years. We are focused on driving share, improving margins while investing behind growth and creating value for shareholders. Our balance sheet is in excellent shape and we continue to generate significant cash flow.”

## Americas

### Revenue performance

RevPAR increased 6.7% in the third quarter, driven mainly by occupancy with rate improving by 0.8%. Revenues increased 4% to \$215m; excluding the impact of the disposal of InterContinental Buckhead Atlanta revenues increased 8%.

### Operating profit performance

Operating profit increased 28% from \$82m to \$105m. Franchised operating profit grew 9% driven by RevPAR growth of 6.2% and rooms growth of 2.5%. In the managed business, operating profit of \$2m compares to a loss of \$12m in 2009 which included a \$12m charge for priority guarantee shortfalls. Owned and leased operating profit grew \$1m to \$4m reflecting RevPAR growth of 7.3% partly offset by the loss of profits from InterContinental Buckhead Atlanta.

## EMEA

### Revenue performance

RevPAR increased 9.7% in the third quarter, with rate improving by 3.1%. Of our major markets, performance was strongest in Germany where RevPAR grew 22.2% and, despite continuing mixed trading conditions, RevPAR in the Middle East grew 5.4%. UK RevPAR growth of 6.7%, driven by a rate increase of 3.6%, marked a strong improvement on second quarter RevPAR growth of 3.4%. Revenues increased 4% to \$105m (11% CER).

Operating profit performance

Operating profit declined by \$1m to \$35m (increased 3% CER). Franchised operating profit grew 6% to \$17m (13% CER) driven by a 10% increase in royalty fee revenue. Managed operating profit declined by \$2m to \$13m (\$1m CER) due to the timing of payments under guarantees. Owned and leased operating profit grew \$1m to \$13m (\$2m CER) driven by 13.7% RevPAR growth at InterContinental Park Lane and 8.8% growth at InterContinental Paris Le Grand.

Asia Pacific

Revenue performance

RevPAR increased 12.0% in the third quarter, with 4.1% growth in rate. Greater China was the strongest performing region with RevPAR growth of 24.4%, boosted by the World Expo in Shanghai where RevPAR grew 88.6%. Revenues increased 19% to \$74m (16% CER).

Operating profit performance

Operating profit increased 18% to \$20m (18% CER). Franchised operating profit declined by \$1m to \$1m. Managed operating profit grew 11% to \$20m (6% CER) driven by 13.5% RevPAR growth and 10% rooms growth across the region. Operating profit at owned and leased hotels increased 20% to \$6m reflecting RevPAR growth of 7.5% at InterContinental Hong Kong.

Regional and central costs, interest and tax

Third quarter regional and central costs of \$74m are up \$35m on 2009 levels due to performance based incentive costs, including a \$25m year on year impact of re-assessments of likely payments under long term incentive plans.

The interest charge for the period increased \$3m to \$16m as the impact of lower levels of average net debt was offset by a higher average cost of debt following the issuance of a seven year £250m bond in the fourth quarter of 2009.

Based on the position at the end of the third quarter, the tax charge has been calculated using an estimated annual tax rate of 26% (Estimated annual tax rate at Q3 2009: 19%).

Cash flow & net debt

Net debt of \$801m (including the \$206m finance lease on the InterContinental Boston) is down \$291m on the position as at year end 2009 due to higher operating profits, improved working capital, \$135m receipts including \$105m from the disposal of the InterContinental Buckhead Atlanta and reduced capital expenditure of \$69m.

Appendix 1: Rooms

|                              | Americas | EMEA    | Asia Pacific | Total   |
|------------------------------|----------|---------|--------------|---------|
| Openings                     | 4,295    | 980     | 1,874        | 7,149   |
| Removals                     | (3,462)  | (1,757) | (637)        | (5,856) |
| Net openings /<br>(removals) | 833      | (777)   | 1,237        | 1,293   |
| Signings                     | 7,502    | 2,351   | 3,837        | 13,690  |

Appendix 2: Third quarter financial headlines

| Three months to 30 September      | Total |      | Americas |      | EMEA |      | Asia Pacific |      | Central |      |
|-----------------------------------|-------|------|----------|------|------|------|--------------|------|---------|------|
| \$m                               | 2010  | 2009 | 2010     | 2009 | 2010 | 2009 | 2010         | 2009 | 2010    | 2009 |
| Franchised operating profit       | 131   | 122  | 113      | 104  | 17   | 16   | 1            | 2    | -       | -    |
| Managed operating profit          | 35    | 21   | 2        | (12) | 13   | 15   | 20           | 18   | -       | -    |
| Owned and leased operating profit | 23    | 20   | 4        | 3    | 13   | 12   | 6            | 5    | -       | -    |

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|  |      |      |      |      |     |     |     |     |      |      |
|--|------|------|------|------|-----|-----|-----|-----|------|------|
| Regional overheads                     | (29) | (28) | (14) | (13) | (8) | (7) | (7) | (8) | -    | -    |
| Operating profit pre central overheads | 160  | 135  | 105  | 82   | 35  | 36  | 20  | 17  | -    | -    |
| Central overheads                      | (45) | (11) | -    | -    | -   | -   | -   | -   | (45) | (11) |
| Operating profit                       | 115  | 124  | 105  | 82   | 35  | 36  | 20  | 17  | (45) | (11) |

Appendix 3: Year to date financial headlines

| Nine months to 30 September<br>\$m     | Total |      | Americas |      | EMEA |      | Asia Pacific |      | Central |      |
|--|-------|------|----------|------|------|------|--------------|------|---------|------|
|  | 2010  | 2009 | 2010     | 2009 | 2010 | 2009 | 2010         | 2009 | 2010    | 2009 |
| Franchised operating profit            | 350   | 331  | 301      | 281  | 45   | 46   | 4            | 4    | -       | -    |
| Managed operating profit               | 110   | 62   | 15       | (21) | 45   | 48   | 50           | 35   | -       | -    |
| Owned and leased operating profit      | 56    | 45   | 8        | 7    | 28   | 22   | 20           | 16   | -       | -    |
| Regional overheads                     | (84)  | (79) | (40)     | (36) | (25) | (22) | (19)         | (21) | -       | -    |
| Operating profit pre central overheads | 432   | 359  | 284      | 231  | 93   | 94   | 55           | 34   | -       | -    |
| Central overheads                      | (98)  | (56) | -        | -    | -    | -    | -            | -    | (98)    | (56) |
| Operating profit                       | 334   | 303  | 284      | 231  | 93   | 94   | 55           | 34   | (98)    | (56) |

Appendix 4: Third quarter constant currency operating profit movement before exceptional items.

|        | Americas         |                     | EMEA             |                     | Asia Pacific     |                     | Total***         |                     |
|--------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
|        | Actual currency* | Constant currency** | Actual currency* | Constant currency** | Actual currency* | Constant Currency** | Actual currency* | Constant currency** |
| Growth | 28%              | 27%                 | (3)%             | 3%                  | 18%              | 18%                 | (7)%             | (8)%                |

|                |         |          |                              |
|----------------|---------|----------|------------------------------|
| Exchange rates | GBP:USD | EUR: USD | * US dollar actual currency; |
| 2010           | 0.65    | 0.77     | ** Translated at constant    |
|                |         |          | 2009 exchange rates          |
| 2009           | 0.61    | 0.70     | *** After central overheads  |

Appendix 5: Definitions

Total gross revenue is defined as total room revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. It is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties. The metric is highlighted as an indicator of the scale and reach of IHG's brands.

Operating margins in the fee business are adjusted for owned and leased hotels, individually significant liquidated damages payments, HPT guarantee payments and excludes the benefit in 2009 of non-sustainable incentive compensation cost savings.

For further information, please contact:

|  |                         |                         |
|--|-------------------------|-------------------------|
| Investor Relations (Heather Wood; Catherine Dolton): | +44 (0) 1895 512<br>176 |                         |
| Media Affairs (Leslie McGibbon, Giles Deards):       | +44 (0) 1895 512<br>425 | +44 (0) 1895 512<br>275 |

High resolution images to accompany this announcement are available for the media to download free of charge from [www.vismedia.co.uk](http://www.vismedia.co.uk). This includes profile shots of the key executives.

UK Q&A conference call

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A conference call with Richard Solomons (Chief Financial Officer and Head of Commercial Development) will commence at 9.30am (London time) on 9 November. There will be an opportunity to ask questions.

International dial-in: +44 (0)20 7108 6370  
UK Free Call: 0808 238 6029  
Conference ID: HOTEL

A recording of the conference call will also be available for 7 days. To access this please dial the relevant number below and use the access number 5447.

International dial-in: +44 (0)20 7970 4982  
UK Free Call: 0800 018 2365

### US Q&A conference call

There will also be a conference call, primarily for US investors and analysts, at 10.00am (Eastern Standard Time) on 9 November with Richard Solomons (Chief Financial Officer and Head of Commercial Development). There will be an opportunity to ask questions.

International dial-in +44 (0)20 7108 6370  
US Dial-in +1 517 345 9004  
US Toll Free 866 692 5726  
Conference ID HOTEL

A recording of the conference call will also be available for 7 days. To access this please dial the relevant number below and use the access number 5458.

International dial-in +44 (0)20 7108 6286  
US Free Call 866 851 2569

### Website

The full release and supplementary data will be available on our website from 7.00 am (London time) on 9 November. The web address is [www.ihg.com/Q310](http://www.ihg.com/Q310). To watch a video of Richard Solomons reviewing our results visit our YouTube channel at [www.youtube.com/ihgplc](http://www.youtube.com/ihgplc)

### Notes to Editors:

InterContinental Hotels Group (IHG) [LON:IHG, NYSE:IHG (ADRs)] is the world's largest hotel group by number of rooms. IHG franchises, leases, manages or owns, through various subsidiaries, over 4,500 hotels and more than 650,000 guest rooms in 100 countries and territories around the world. The Group owns a portfolio of well recognised and respected hotel brands including InterContinental® Hotels & Resorts, Hotel Indigo®, Crowne Plaza® Hotels & Resorts, Holiday Inn® Hotels and Resorts, Holiday Inn Express®, Staybridge Suites® and Candlewood Suites® and also manages the world's largest hotel loyalty programme, Priority Club® Rewards with 52 million members worldwide.

IHG has over 1,200 hotels in its development pipeline, which we expect to create 160,000 jobs worldwide over the next few years.

InterContinental Hotels Group PLC is the Group's holding company and is incorporated in Great Britain and registered in England and Wales.

IHG offers information and online reservations for all its hotel brands at [www.ihg.com](http://www.ihg.com) and information for the Priority Club Rewards programme at [www.priorityclub.com](http://www.priorityclub.com). For the latest news from IHG, visit our online Press Office at [www.ihg.com/media](http://www.ihg.com/media)

Cautionary note regarding forward-looking statements



This announcement contains certain forward-looking statements as defined under US law (Section 21E of the Securities Exchange Act of 1934). These forward-looking statements can be identified by the fact that they do not relate to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed in or implied by, such forward-looking statements. Factors that could affect the business and the financial results are described in 'Risk Factors' in the InterContinental Hotels Group PLC Annual report on Form 20-F filed with the United States Securities and Exchange Commission.

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP INCOME STATEMENT

For the three months ended 30 September 2010

|  | 3 months ended 30 September 2010 |                                      |              | 3 months ended 30 September 2009 |                                      |              |
|--|----------------------------------|--------------------------------------|--------------|----------------------------------|--------------------------------------|--------------|
|  | Before exceptional items<br>\$m  | Exceptional items<br>(note 7)<br>\$m | Total<br>\$m | Before exceptional items<br>\$m  | Exceptional items<br>(note 7)<br>\$m | Total<br>\$m |
| Continuing operations                            |                                  |                                      |              |                                  |                                      |              |
| Revenue (note 3)                                 | 421                              | -                                    | 421          | 401                              | -                                    | 401          |
| Cost of sales                                    | (186)                            | -                                    | (186)        | (189)                            | -                                    | (189)        |
| Administrative expenses                          | (94)                             | -                                    | (94)         | (63)                             | (21)                                 | (84)         |
| Other operating income and expenses              | 1                                | 27                                   | 28           | 3                                | (2)                                  | 1            |
|  | <u>142</u>                       | <u>27</u>                            | <u>169</u>   | <u>152</u>                       | <u>(23)</u>                          | <u>129</u>   |
| Depreciation and amortisation                    | (27)                             | -                                    | (27)         | (28)                             | -                                    | (28)         |
| Impairment                                       | -                                | -                                    | -            | -                                | (21)                                 | (21)         |
|  | <u>115</u>                       | <u>27</u>                            | <u>142</u>   | <u>124</u>                       | <u>(44)</u>                          | <u>80</u>    |
| Financial income                                 | 1                                | -                                    | 1            | 1                                | -                                    | 1            |
| Financial expenses                               | (17)                             | -                                    | (17)         | (14)                             | -                                    | (14)         |
|  | <u>99</u>                        | <u>27</u>                            | <u>126</u>   | <u>111</u>                       | <u>(44)</u>                          | <u>67</u>    |
| Profit before tax (note 3)                       | 99                               | 27                                   | 126          | 111                              | (44)                                 | 67           |
| Tax (note 8)                                     | (21)                             | (2)                                  | (23)         | (17)                             | 18                                   | 1            |
|  | <u>78</u>                        | <u>25</u>                            | <u>103</u>   | <u>94</u>                        | <u>(26)</u>                          | <u>68</u>    |
| Profit for the period from continuing operations | 78                               | 25                                   | 103          | 94                               | (26)                                 | 68           |
| Attributable to:                                 |                                  |                                      |              |                                  |                                      |              |
| Equity holders of the parent                     | 78                               | 25                                   | 103          | 93                               | (26)                                 | 67           |
| Non-controlling interest                         | -                                | -                                    | -            | 1                                | -                                    | 1            |
|  | <u>78</u>                        | <u>25</u>                            | <u>103</u>   | <u>94</u>                        | <u>(26)</u>                          | <u>68</u>    |

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|   |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|
| Earnings per ordinary share<br>(note 9) | ===== | ===== | ===== | ===== | ===== | ===== |
| Continuing operations:                  |       |       |       |       |       |       |
| Basic                                   |       |       | 35.8¢ |       |       | 23.4¢ |
| Diluted                                 |       |       | 34.8¢ |       |       | 22.7¢ |
| Adjusted                                | 27.1¢ |       |       | 32.5¢ |       |       |
| Adjusted diluted                        | 26.4¢ |       |       | 31.5¢ |       |       |
| Total operations:                       |       |       |       |       |       |       |
| Basic                                   |       |       | 35.8¢ |       |       | 23.4¢ |
| Diluted                                 |       |       | 34.8¢ |       |       | 22.7¢ |
| Adjusted                                | 27.1¢ |       |       | 32.5¢ |       |       |
| Adjusted diluted                        | 26.4¢ |       |       | 31.5¢ |       |       |
|   | ===== |       | ===== | ===== |       | ===== |

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP INCOME STATEMENT

For the nine months ended 30 September 2010

|  | 9 months ended 30 September 2010 |                            |            | 9 months ended 30 September 2009 |                            |            |
|--|----------------------------------|----------------------------|------------|----------------------------------|----------------------------|------------|
|  | Before exceptional items         | Exceptional items (note 7) | Total      | Before exceptional items         | Exceptional items (note 7) | Total      |
|  | \$m                              | \$m                        | \$m        | \$m                              | \$m                        | \$m        |
| Continuing operations                            |                                  |                            |            |                                  |                            |            |
| Revenue (note 3)                                 | 1,193                            | -                          | 1,193      | 1,127                            | -                          | 1,127      |
| Cost of sales                                    | (546)                            | -                          | (546)      | (547)                            | -                          | (547)      |
| Administrative expenses                          | (236)                            | (3)                        | (239)      | (203)                            | (60)                       | (263)      |
| Other operating income and expenses              | 5                                | 35                         | 40         | 5                                | (2)                        | 3          |
|  | <u>416</u>                       | <u>32</u>                  | <u>448</u> | <u>382</u>                       | <u>(62)</u>                | <u>320</u> |
| Depreciation and amortisation                    | (82)                             | -                          | (82)       | (79)                             | -                          | (79)       |
| Impairment                                       | -                                | (1)                        | (1)        | -                                | (183)                      | (183)      |
|  | <u>334</u>                       | <u>31</u>                  | <u>365</u> | <u>303</u>                       | <u>(245)</u>               | <u>58</u>  |
| Financial income                                 | 2                                | -                          | 2          | 3                                | -                          | 3          |
| Financial expenses                               | (49)                             | -                          | (49)       | (44)                             | -                          | (44)       |
|  | <u>287</u>                       | <u>31</u>                  | <u>318</u> | <u>262</u>                       | <u>(245)</u>               | <u>17</u>  |
| Profit before tax (note 3)                       | 287                              | 31                         | 318        | 262                              | (245)                      | 17         |
| Tax (note 8)                                     | (74)                             | (2)                        | (76)       | (50)                             | 66                         | 16         |
|  | <u>213</u>                       | <u>29</u>                  | <u>242</u> | <u>212</u>                       | <u>(179)</u>               | <u>33</u>  |
| Profit for the period from continuing operations | 213                              | 29                         | 242        | 212                              | (179)                      | 33         |

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|  |            |           |            |            |              |           |
|--|------------|-----------|------------|------------|--------------|-----------|
| Profit for the period from discontinued operations | -          | 2         | 2          | -          | 6            | 6         |
| Profit for the period                              | <u>213</u> | <u>31</u> | <u>244</u> | <u>212</u> | <u>(173)</u> | <u>39</u> |
|  | =====      | =====     | =====      | =====      | =====        | =====     |
| Attributable to:                                   |            |           |            |            |              |           |
| Equity holders of the parent                       | 213        | 31        | 244        | 211        | (173)        | 38        |
| Non-controlling interest                           | -          | -         | -          | 1          | -            | 1         |
|  | <u>213</u> | <u>31</u> | <u>244</u> | <u>212</u> | <u>(173)</u> | <u>39</u> |
|  | =====      | =====     | =====      | =====      | =====        | =====     |
| Earnings per ordinary share (note 9)               |            |           |            |            |              |           |
| Continuing operations:                             |            |           |            |            |              |           |
| Basic  |            |           | 84.0¢      |            |              | 11.2¢     |
| Diluted  |            |           | 81.8¢      |            |              | 10.9¢     |
| Adjusted   | 74.0¢      |           |            | 74.0¢      |              |           |
| Adjusted diluted                                   | 72.0¢      |           |            | 71.8¢      |              |           |
| Total operations:                                  |            |           |            |            |              |           |
| Basic  |            |           | 84.7¢      |            |              | 13.3¢     |
| Diluted  |            |           | 82.4¢      |            |              | 12.9¢     |
| Adjusted   | 74.0¢      |           |            | 74.0¢      |              |           |
| Adjusted diluted                                   | 72.0¢      |           |            | 71.8¢      |              |           |
|  | =====      |           | =====      | =====      |              | =====     |

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP STATEMENT OF COMPREHENSIVE INCOME  
For the three and nine months ended 30 September 2010

|   | 2010<br>3 months<br>ended<br>30 September<br>\$m | 2009<br>3 months<br>ended<br>30 September<br>\$m | 2010<br>9 months<br>ended<br>September<br>\$m | 2009<br>9 months<br>ended<br>September<br>\$m |
|---|--|--|---|---|
| Profit for the period                       | 103  | 68   | 244   | 39  |
| Other comprehensive income                  |  |  |   |   |
| Available-for-sale financial assets:        |  |  |   |   |
| Gains on valuation                          | 9  | -  | 28  | 9   |
| Losses reclassified to income on impairment | -  | -  | 1   | -   |
| Cash flow hedges:                           |  |  |   |   |
| Losses arising during the period            | (1)  | (2)  | (3)   | (5)   |

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|  |            |             |             |            |
|--|------------|-------------|-------------|------------|
| Reclassified to financial expenses   | 2          | 2           | 5           | 9          |
| Defined benefit pension plans:   |            |             |             |            |
| Actuarial losses, net of related tax credit:<br>2010 3 months \$1m, 9 months \$8m<br>(2009 3 months \$2m, 9 months \$1m)   | (10)       | (29)        | (28)        | (59)       |
| Change in asset restriction on plans in<br>surplus and liability in respect of<br>funding commitments, net of related tax<br>credit: 2010 3 months \$13m, 9 months<br>\$13m (2009 3 months \$nil, 9 months<br>\$nil) | (40)       | 7           | (39)        | 21         |
| Exchange differences on retranslation of foreign operations,<br>net of related tax: 2010 3 months \$2m charge, 9 months \$1m<br>credit (2009 3 months \$nil, 9 months \$nil)   | 40         | 12          | (5)         | 24         |
| Tax related to pension contributions   | 6          | -           | 7           | -          |
| Other comprehensive income/(loss) for the period   | <u>6</u>   | <u>(10)</u> | <u>(34)</u> | <u>(1)</u> |
| Total comprehensive income for the period  | <u>109</u> | <u>58</u>   | <u>210</u>  | <u>38</u>  |
|  | =====      | =====       | =====       | =====      |
| Attributable to:   |            |             |             |            |
| Equity holders of the parent   | 108        | 56          | 209         | 37         |
| Non-controlling interest   | 1          | 2           | 1           | 1          |
|  | <u>109</u> | <u>58</u>   | <u>210</u>  | <u>38</u>  |
|  | =====      | =====       | =====       | =====      |

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP STATEMENT OF CHANGES IN EQUITY  
For the nine months ended 30 September 2010

|  | 9 months ended 30 September 2010 |                           |                             |                                    |                     |
|--|----------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------|
|  | Equity share<br>capital<br>\$m   | Other<br>reserves*<br>\$m | Retained<br>earnings<br>\$m | Non-controlling<br>interest<br>\$m | Total equity<br>\$m |
| At beginning of the period                   | 142                              | (2,649)                   | 2,656                       | 7                                  | 156                 |
| Total comprehensive income for<br>the period | -                                | 25                        | 184                         | 1                                  | 210                 |
| Issue of ordinary shares                     | 13                               | -                         | -                           | -                                  | 13                  |

|   |            |                |              |          |            |
|---|------------|----------------|--------------|----------|------------|
| Movement in shares in employee share trusts | -          | (2)            | (26)         | -        | (28)       |
| Equity-settled share-based cost             | -          | -              | 26           | -        | 26         |
| Tax related to share schemes                | -          | -              | 17           | -        | 17         |
| Equity dividends paid                       | -          | -              | (84)         | -        | (84)       |
| Exchange and other adjustments              | (2)        | 2              | -            | -        | -          |
| At end of the period                        | <u>153</u> | <u>(2,624)</u> | <u>2,773</u> | <u>8</u> | <u>310</u> |
|   | =====      | =====          | =====        | =====    | =====      |

|   | 9 months ended 30 September 2009 |                 |                   |                          |              |
|---|----------------------------------|-----------------|-------------------|--------------------------|--------------|
|   | Equity share capital             | Other reserves* | Retained earnings | Non-controlling interest | Total equity |
|   | \$m                              | \$m             | \$m               | \$m                      | \$m          |
| At beginning of the period                  | 118                              | (2,748)         | 2,624             | 7                        | 1            |
| Total comprehensive income for the period   | -                                | 37              | -                 | 1                        | 38           |
| Issue of ordinary shares                    | 7                                | -               | -                 | -                        | 7            |
| Movement in shares in employee share trusts | -                                | 47              | (58)              | -                        | (11)         |
| Equity-settled share-based cost             | -                                | -               | 8                 | -                        | 8            |
| Tax related to share schemes                | -                                | -               | 1                 | -                        | 1            |
| Equity dividends paid                       | -                                | -               | (83)              | -                        | (83)         |
| Exchange and other adjustments              | 13                               | (13)            | -                 | -                        | -            |
| At end of the period                        | <u>138</u>                       | <u>(2,677)</u>  | <u>2,492</u>      | <u>8</u>                 | <u>(39)</u>  |
|   | =====                            | =====           | =====             | =====                    | =====        |

\* Other reserves comprise the capital redemption reserve, shares held by employee share trusts, other reserves, unrealised gains and losses reserve and currency translation reserve.

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP STATEMENT OF FINANCIAL POSITION  
30 September 2010

|                               | 2010<br>30 September | 2009<br>30 September | 2009<br>31 December |
|-------------------------------|----------------------|----------------------|---------------------|
|                               | \$m                  | \$m                  | \$m                 |
| <b>ASSETS</b>                 |                      |                      |                     |
| Property, plant and equipment | 1,708                | 1,851                | 1,836               |
| Goodwill                      | 88                   | 80                   | 82                  |
| Intangible assets             | 268                  | 283                  | 274                 |
| Investment in associates      | 44                   | 46                   | 45                  |
| Retirement benefit assets     | 4                    | 9                    | 12                  |
| Other financial assets        | 148                  | 165                  | 130                 |
| Deferred tax receivable       | 143                  | -                    | 95                  |
|                               | <u>          </u>    | <u>          </u>    | <u>          </u>   |

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|                                      |         |         |         |
|--------------------------------------|---------|---------|---------|
| Total non-current assets             | 2,403   | 2,434   | 2,474   |
| Inventories                          | 4       | 4       | 4       |
| Trade and other receivables          | 415     | 399     | 335     |
| Current tax receivable               | 16      | 5       | 35      |
| Cash and cash equivalents            | 51      | 64      | 40      |
| Other financial assets               | -       | 5       | 5       |
| Total current assets                 | 486     | 477     | 419     |
| Total assets (note 3)                | 2,889   | 2,911   | 2,893   |
|                                      | =====   | =====   | =====   |
| <b>LIABILITIES</b>                   |         |         |         |
| Loans and other borrowings           | (29)    | (24)    | (106)   |
| Trade and other payables             | (746)   | (714)   | (675)   |
| Provisions                           | (24)    | -       | (65)    |
| Current tax payable                  | (238)   | (345)   | (194)   |
| Total current liabilities            | (1,037) | (1,083) | (1,040) |
| Loans and other borrowings           | (806)   | (1,199) | (1,016) |
| Retirement benefit obligations       | (197)   | (142)   | (142)   |
| Trade and other payables             | (465)   | (403)   | (421)   |
| Deferred tax payable                 | (74)    | (123)   | (118)   |
| Total non-current liabilities        | (1,542) | (1,867) | (1,697) |
| Total liabilities                    | (2,579) | (2,950) | (2,737) |
|                                      | =====   | =====   | =====   |
| Net assets/(liabilities)             | 310     | (39)    | 156     |
|                                      | =====   | =====   | =====   |
| <b>EQUITY</b>                        |         |         |         |
| Equity share capital                 | 153     | 138     | 142     |
| Capital redemption reserve           | 10      | 11      | 11      |
| Shares held by employee share trusts | (5)     | (5)     | (4)     |
| Other reserves                       | (2,898) | (2,901) | (2,900) |
| Unrealised gains and losses reserve  | 60      | 23      | 29      |
| Currency translation reserve         | 209     | 195     | 215     |
| Retained earnings                    | 2,773   | 2,492   | 2,656   |
| IHG shareholders' equity             | 302     | (47)    | 149     |
| Non-controlling interest             | 8       | 8       | 7       |
| Total equity                         | 310     | (39)    | 156     |
|                                      | =====   | =====   | =====   |

INTERCONTINENTAL HOTELS GROUP PLC  
 GROUP STATEMENT OF CASH FLOWS  
 For the nine months ended 30 September 2010

2010

2009

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|  | 9 months<br>ended<br>30 September<br>\$m | 9 months<br>ended<br>30 September<br>\$m |
|--|--|--|
| Profit for the period  | 244                                      | 39                                       |
| Adjustments for:   |  |  |
| Net financial expenses   | 47                                       | 41                                       |
| Income tax charge/(credit)   | 76                                       | (16)                                     |
| Depreciation and amortisation                                      | 82                                       | 79                                       |
| Exceptional operating items  | (31)                                     | 245                                      |
| Gain on disposal of assets, net of tax                             | (2)                                      | (6)                                      |
| Equity-settled share-based cost, net of payments                   | 19                                       | -  |
| Operating cash flow before movements in working capital            | 435                                      | 382                                      |
| Net change in loyalty programme liability and System Funds surplus | 60                                       | 64                                       |
| Other changes in net working capital                               | (12)                                     | (25)                                     |
| Utilisation of provisions  | (41)                                     | -  |
| Retirement benefit contributions, net of cost                      | (25)                                     | (1)                                      |
| Cash flows relating to exceptional operating items                 | (14)                                     | (51)                                     |
| Cash flow from operations  | 403                                      | 369                                      |
| Interest paid  | (27)                                     | (42)                                     |
| Interest received  | 2  | 2  |
| Tax (paid)/received on operating activities                        | (52)                                     | 8  |
| Net cash from operating activities                                 | 326                                      | 337                                      |
| Cash flow from investing activities                                |  |  |
| Purchases of property, plant and equipment                         | (45)                                     | (92)                                     |
| Purchase of intangible assets                                      | (20)                                     | (29)                                     |
| Investment in associates and other financial assets                | (4)                                      | (15)                                     |
| Disposal of assets, net of costs and cash disposed of              | 108                                      | 21                                       |
| Proceeds from associates and other financial assets                | 27                                       | 14                                       |
| Tax received/(paid) on disposals                                   | 2  | (1)                                      |
| Net cash from investing activities                                 | 68                                       | (102)                                    |
| Cash flow from financing activities                                |  |  |
| Proceeds from the issue of share capital                           | 13                                       | 7  |
| Purchase of own shares by employee share trusts                    | (23)                                     | (7)                                      |
| Proceeds on release of own shares by employee share trusts         | -  | 2  |
| Dividends paid to shareholders                                     | (84)                                     | (83)                                     |
| Decrease in borrowings   | (289)                                    | (154)                                    |
| Net cash from financing activities                                 | (383)                                    | (235)                                    |
| Net movement in cash and cash equivalents in the period            | 11                                       | -  |
| Cash and cash equivalents at beginning of the period               | 40                                       | 82                                       |
| Exchange rate effects  | (10)                                     | (18)                                     |

|   |       |       |
|---|-------|-------|
| Cash and cash equivalents at end of the period                | 41    | 64    |
|   | ===== | ===== |
| Comprising:   |       |       |
| Cash and cash equivalents                                     | 51    | 64    |
| Overdrafts included within current loans and other borrowings | (10)  | -     |
|   | ----- | ----- |
|   | 41    | 64    |
|   | ===== | ===== |

INTERCONTINENTAL HOTELS GROUP PLC  
NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and IAS 34 'Interim Financial Reporting'. Other than the changes listed below, they have been prepared on a consistent basis using the accounting policies set out in the InterContinental Hotels Group PLC (the Group or IHG) Annual Report and Financial Statements for the year ended 31 December 2009.

With effect from 1 January 2010, the Group has implemented IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Revised) 'Consolidated and Separate Financial Statements'. The adoption of these standards has had no material impact on the financial statements and there has been no requirement to restate prior year comparatives.

These condensed interim financial statements are unaudited and do not constitute statutory accounts of the Group within the meaning of Section 435 of the Companies Act 2006. The auditors have carried out a review of the financial information in accordance with the guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board.

The financial information for the year ended 31 December 2009 has been extracted from the Group's published financial statements for that year which contain an unqualified audit report and which have been filed with the Registrar of Companies, subject to a \$13m reclassification from current trade and other payables to non-current trade and other payables in the Group statement of financial position.

2. Exchange rates

The results of operations have been translated into US dollars at the average rates of exchange for the period. In the case of sterling, the translation rate for the nine months ended 30 September is \$1 = £0.65 (2010 3 months, \$1 = £0.65; 2009 9 months, \$1 = £0.65; 2009 3 months, \$1 = £0.61). In the case of the euro, the translation rate for the nine months ended 30 September is \$1 = €0.76 (2010 3 months, \$1 = €0.77; 2009 9 months, \$1 = €0.73; 2009 3 months,



\$1 = €0.70).

Assets and liabilities have been translated into US dollars at the rates of exchange on the last day of the period. In the case of sterling, the translation rate is \$1=£0.63 (2009 31 December \$1 = £0.62; 2009 30 September \$1 = £0.62). In the case of the euro, the translation rate is \$1 = €0.73 (2009 31 December \$1 = €0.69; 2009 30 September \$1 = €0.68).

### 3. Segmental information

#### Revenue

|                       | 2010<br>3 months ended<br>30 September<br>\$m | 2009<br>3 months ended<br>30 September<br>\$m | 2010<br>9 months ended<br>30 September<br>\$m | 2009<br>9 months ended<br>30 September<br>\$m |
|-----------------------|---|---|---|---|
| Americas (note 4)     | 215   | 206   | 608   | 581   |
| EMEA (note 5)         | 105   | 101   | 297   | 287   |
| Asia Pacific (note 6) | 74  | 62  | 211   | 168   |
| Central               | 27  | 32  | 77  | 91  |
| Total revenue         | <u>421</u><br>=====                           | <u>401</u><br>=====                           | <u>1,193</u><br>=====                         | <u>1,127</u><br>=====                         |

All results relate to continuing operations.

|                                       | 2010<br>3 months ended<br>30 September<br>\$m | 2009<br>3 months ended<br>30 September<br>\$m | 2010<br>9 months ended<br>30 September<br>\$m | 2009<br>9 months ended<br>30 September<br>\$m |
|---------------------------------------|---|---|---|---|
| Americas (note 4)                     | 105   | 82  | 284   | 231   |
| EMEA (note 5)                         | 35  | 36  | 93  | 94  |
| Asia Pacific (note 6)                 | 20  | 17  | 55  | 34  |
| Central                               | (45)  | (11)  | (98)  | (56)  |
| Reportable segments' operating profit | <u>115</u>                                    | <u>124</u>                                    | <u>334</u>                                    | <u>303</u>                                    |
| Exceptional operating items (note 7)  | 27  | (44)  | 31  | (245)   |
| Operating profit                      | <u>142</u>                                    | <u>80</u>                                     | <u>365</u>                                    | <u>58</u>                                     |
| Financial income                      | 1   | 1   | 2   | 3   |
| Financial expenses                    | (17)  | (14)  | (49)  | (44)  |
| Profit before tax                     | <u>126</u><br>=====                           | <u>67</u><br>=====                            | <u>318</u><br>=====                           | <u>17</u><br>=====                            |

All results relate to continuing operations.

| Assets                    | 2010<br>30 September<br>\$m | 2009<br>30 September<br>\$m | 2009<br>31 December<br>\$m |
|---------------------------|-----------------------------|-----------------------------|----------------------------|
| Americas                  | 950                         | 1,049                       | 970                        |
| EMEA                      | 879                         | 962                         | 926                        |
| Asia Pacific              | 664                         | 633                         | 631                        |
| Central                   | 186                         | 198                         | 196                        |
| Segment assets            | <u>2,679</u>                | <u>2,842</u>                | <u>2,723</u>               |
| Unallocated assets:       |                             |                             |                            |
| Deferred tax receivable   | 143                         | -                           | 95                         |
| Current tax receivable    | 16                          | 5                           | 35                         |
| Cash and cash equivalents | 51                          | 64                          | 40                         |
| Total assets              | <u>2,889</u><br>=====       | <u>2,911</u><br>=====       | <u>2,893</u><br>=====      |

4. Americas

|                    | 2010<br>3 months ended<br>30 September<br>\$m | 2009<br>3 months ended<br>30 September<br>\$m | 2010<br>9 months ended<br>30 September<br>\$m | 2009<br>9 months ended<br>30 September<br>\$m |
|--------------------|---|---|---|---|
| Revenue            |   |   |   |   |
| Franchised         | 132   | 121   | 353   | 335   |
| Managed            | 29  | 27  | 88  | 82  |
| Owned and leased   | 54  | 58  | 167   | 164   |
| Total              | <u>215</u><br>=====                           | <u>206</u><br>=====                           | <u>608</u><br>=====                           | <u>581</u><br>=====                           |
| Operating profit   |   |   |   |   |
| Franchised         | 113   | 104   | 301   | 281   |
| Managed            | 2   | (12)  | 15  | (21)  |
| Owned and leased   | 4   | 3   | 8   | 7   |
| Regional overheads | (14)  | (13)  | (40)  | (36)  |
| Total              | <u>105</u><br>=====                           | <u>82</u><br>=====                            | <u>284</u><br>=====                           | <u>231</u><br>=====                           |

All results relate to continuing operations.

5. EMEA

|  | 2010<br>3 months ended<br>30 September | 2009<br>3 months ended<br>30 September | 2010<br>9 months ended<br>30 September | 2009<br>9 months ended<br>30 September |
|--|--|--|--|--|
|--|--|--|--|--|

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|                    | \$m        | \$m        | \$m        | \$m        |
|--------------------|------------|------------|------------|------------|
| Revenue            |            |            |            |            |
| Franchised         | 22         | 21         | 59         | 61         |
| Managed            | 31         | 28         | 92         | 87         |
| Owned and leased   | 52         | 52         | 146        | 139        |
| Total              | <u>105</u> | <u>101</u> | <u>297</u> | <u>287</u> |
|                    | =====      | =====      | =====      | =====      |
| Operating profit   |            |            |            |            |
| Franchised         | 17         | 16         | 45         | 46         |
| Managed            | 13         | 15         | 45         | 48         |
| Owned and leased   | 13         | 12         | 28         | 22         |
| Regional overheads | (8)        | (7)        | (25)       | (22)       |
| Total              | <u>35</u>  | <u>36</u>  | <u>93</u>  | <u>94</u>  |
|                    | =====      | =====      | =====      | =====      |

All results relate to continuing operations.

6. Asia Pacific

|                    | 2010<br>3 months ended<br>30 September<br>\$m | 2009<br>3 months ended<br>30 September<br>\$m | 2010<br>9 months ended<br>30 September<br>\$m | 2009<br>9 months ended<br>30 September<br>\$m |
|--------------------|---|---|---|---|
| Revenue            |   |   |   |   |
| Franchised         | 3   | 3   | 9   | 9   |
| Managed            | 42  | 29  | 110   | 72  |
| Owned and leased   | 29  | 30  | 92  | 87  |
| Total              | <u>74</u>                                     | <u>62</u>                                     | <u>211</u>                                    | <u>168</u>                                    |
|                    | =====   | =====   | =====   | =====   |
| Operating profit   |   |   |   |   |
| Franchised         | 1   | 2   | 4   | 4   |
| Managed            | 20  | 18  | 50  | 35  |
| Owned and leased   | 6   | 5   | 20  | 16  |
| Regional overheads | (7)   | (8)   | (19)  | (21)  |
| Total              | <u>20</u>                                     | <u>17</u>                                     | <u>55</u>                                     | <u>34</u>                                     |
|                    | =====   | =====   | =====   | =====   |

All results relate to continuing operations.

7. Exceptional items

|  | 2010<br>3 months<br>ended<br>30<br>September | 2009<br>3 months<br>ended<br>30<br>September | 2010<br>9 months<br>ended<br>30<br>September | 2009<br>9 months<br>ended<br>30<br>September |
|--|--|--|--|--|
|  |  |  |  |  |

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|   | \$m        | \$m         | \$m        | \$m          |
|---|------------|-------------|------------|--------------|
| Continuing operations:                                      |            |             |            |              |
| Exceptional operating items                                 |            |             |            |              |
| Administrative expenses:                                    |            |             |            |              |
| Holiday Inn brand relaunch (a)                              | -          | (3)         | (3)        | (17)         |
| Enhanced pensions transfer (b)                              | -          | -           | -          | (21)         |
| Reorganisation and related costs (c)                        | -          | (18)        | -          | (22)         |
|   | <u>-</u>   | <u>(21)</u> | <u>(3)</u> | <u>(60)</u>  |
| Other operating income and expenses:                        |            |             |            |              |
| Gain on sale of other financial assets (d)                  | -          | -           | 8          | -            |
| Gain/(loss) on disposal of hotels (e)                       | 27         | (2)         | 27         | (2)          |
|   | <u>27</u>  | <u>(2)</u>  | <u>35</u>  | <u>(2)</u>   |
| Impairment:   |            |             |            |              |
| Property, plant and equipment (f)                           | -          | -           | -          | (28)         |
| Goodwill (g)  | -          | (21)        | -          | (78)         |
| Intangible assets (h)                                       | -          | -           | -          | (32)         |
| On reclassification of hotels from assets held for sale (i) | -          | -           | -          | (45)         |
| Other financial assets (j)                                  | -          | -           | (1)        | -            |
|   | <u>-</u>   | <u>(21)</u> | <u>(1)</u> | <u>(183)</u> |
|   | <u>27</u>  | <u>(44)</u> | <u>31</u>  | <u>(245)</u> |
|   | =====      | =====       | =====      | =====        |
| Tax   |            |             |            |              |
| Tax on exceptional operating items                          | (11)       | 12          | (11)       | 60           |
| Exceptional tax credit (k)                                  | 9          | 6           | 9          | 6            |
|   | <u>(2)</u> | <u>18</u>   | <u>(2)</u> | <u>66</u>    |
|   | =====      | =====       | =====      | =====        |
| Discontinued operations:                                    |            |             |            |              |
| Gain on disposal of assets (l):                             |            |             |            |              |
| Gain on disposal of hotels                                  | -          | -           | -          | 2            |
| Tax credit  | -          | -           | 2          | 4            |
|   | <u>-</u>   | <u>-</u>    | <u>2</u>   | <u>6</u>     |
|   | =====      | =====       | =====      | =====        |

7. Exceptional items (continued)

These items are treated as exceptional by reason of their size or nature.

- a) Relates to costs incurred in support of the worldwide relaunch of the Holiday Inn brand family that was announced on 24 October 2007.
- b) Related to the payment of enhanced pension transfers to those deferred members of the InterContinental Hotels UK Pension Plan who had accepted an offer to receive the enhancement either as a cash lump sum or as an additional transfer value to an alternative pension plan provider. The exceptional item in 2009 comprises the lump sum payments (\$9m), the IAS 19 settlement loss arising on the pension transfers (\$11m) and the costs of the arrangement (\$1m). The payments and transfers were made in January 2009.
- c) Primarily related to the closure of certain corporate offices together with severance costs arising from a review of the Group's cost base.
- d) Relates to the gain on sale of an investment in the EMEA region.
- e) Includes a \$27m gain on the sale of the InterContinental Buckhead, Atlanta on 1 July 2010.
- f) Comprised \$20m relating to a North American hotel and \$8m relating to a European hotel, arising from a review of estimated recoverable amounts taking into account the prevailing economic climate.
- g) Related to the Americas managed operations, reflecting the impact of the global economic downturn and, in particular, IHG's funding obligations under certain management contracts with one US hotel owner.
- h) Related to the capitalised value of management contracts and arose from revisions to expected fee income. The impairment was recorded at 30 September 2009 and related to Americas managed operations.
- i) Related to the valuation adjustments required at 30 September 2009 on the reclassification to property, plant and equipment of four North American hotels no longer meeting the 'held for sale' criteria of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as sales were not considered to be highly probable within the next 12 months. The adjustments comprised \$14m of depreciation not charged whilst held for sale and \$31m of further write-downs to recoverable amounts, as required by IFRS 5.
- j) Relates to available-for-sale equity investments and arises as a result of a prolonged decline in their fair value below cost.
- k) In 2010, relates to an internal group reorganisation and comprises the recognition of deferred tax assets of \$23m for capital losses and \$34m for other deferred tax assets that are recognised as a consequence of the transaction. In addition there is a current tax charge of \$48m as a result of the clawback of relief for tax losses as a result of the reorganisation. In 2009, related to the release of provisions which were exceptional by reason of their size or nature relating to tax matters which had been settled or in respect of which the relevant statutory limitation period has expired
- l) In 2010, relates to tax refunded relating to the sale of a hotel in a prior year. In 2009, related to tax arising on disposals together with the release of provisions no longer required in respect of hotels disposed of in prior years.

## 8. Tax

The tax charge on the combined profit from continuing and discontinued operations, excluding the impact of exceptional items (note 7), has been calculated using an estimated effective annual tax rate of 26% (2009 19%) analysed as follows.

|                             | 2010<br>Profit<br>\$m | 2010<br>Tax<br>\$m | 2010<br>Tax<br>rate | 2009<br>Profit<br>\$m | 2009<br>Tax<br>\$m | 2009<br>Tax<br>rate |
|-----------------------------|-----------------------|--------------------|---------------------|-----------------------|--------------------|---------------------|
| 3 months ended 30 September |                       |                    |                     |                       |                    |                     |
| Before exceptional items    |                       |                    |                     |                       |                    |                     |
| Continuing operations       | 99                    | (21)               | 21%                 | 111                   | (17)               | 15%                 |
| Exceptional items           |                       |                    |                     |                       |                    |                     |
| Continuing operations       | 27                    | (2)                |                     | (44)                  | 18                 |                     |
|                             | <u>126</u>            | <u>(23)</u>        |                     | <u>67</u>             | <u>1</u>           |                     |
|                             | =====                 | =====              |                     | =====                 | =====              |                     |
| Analysed as:                |                       |                    |                     |                       |                    |                     |
| UK tax                      |                       | 27                 |                     |                       | 4                  |                     |
| Foreign tax                 |                       | (50)               |                     |                       | (3)                |                     |
|                             |                       | <u>(23)</u>        |                     |                       | <u>1</u>           |                     |
|                             |                       | =====              |                     |                       | =====              |                     |
| 9 months ended 30 September |                       |                    |                     |                       |                    |                     |
| Before exceptional items    |                       |                    |                     |                       |                    |                     |
| Continuing operations       | 287                   | (74)               | 26%                 | 262                   | (50)               | 19%                 |
| Exceptional items           |                       |                    |                     |                       |                    |                     |
| Continuing operations       | 31                    | (2)                |                     | (245)                 | 66                 |                     |
| Discontinued operations     | -                     | 2                  |                     | 2                     | 4                  |                     |
|                             | <u>318</u>            | <u>(74)</u>        |                     | <u>19</u>             | <u>20</u>          |                     |
|                             | =====                 | =====              |                     | =====                 | =====              |                     |
| Analysed as:                |                       |                    |                     |                       |                    |                     |
| UK tax                      |                       | 22                 |                     |                       | 2                  |                     |
| Foreign tax                 |                       | (96)               |                     |                       | 18                 |                     |
|                             |                       | <u>(74)</u>        |                     |                       | <u>20</u>          |                     |
|                             |                       | =====              |                     |                       | =====              |                     |

By also excluding the effect of prior year items, the equivalent effective tax rate for the nine months ended 30 September would be approximately 33% (2009 39%). Prior year items have been treated as relating wholly to continuing operations.

## Earnings per ordinary share

9.

Basic earnings per ordinary share is calculated by dividing the profit for the period available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the period.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share options outstanding during the period.

Adjusted earnings per ordinary share is disclosed in order to show performance undistorted by exceptional items, to give a more meaningful comparison of the Group's performance.

| 3 months ended 30 September                                   | 2010<br>Continuing<br>operations | 2010<br>Total | 2009<br>Continuing<br>operations | 2009<br>Total |
|---|----------------------------------|---------------|----------------------------------|---------------|
| Basic earnings per ordinary share                             |                                  |               |                                  |               |
| Profit available for equity holders (\$m)                     | 103                              | 103           | 67                               | 67            |
| Basic weighted average number of ordinary shares (millions)   | 288                              | 288           | 286                              | 286           |
| Basic earnings per ordinary share (cents)                     | 35.8                             | 35.8          | 23.4                             | 23.4          |
|   | =====                            | =====         | =====                            | =====         |
| Diluted earnings per ordinary share                           |                                  |               |                                  |               |
| Profit available for equity holders (\$m)                     | 103                              | 103           | 67                               | 67            |
| Diluted weighted average number of ordinary shares (millions) | 296                              | 296           | 295                              | 295           |
| Diluted earnings per ordinary share (cents)                   | 34.8                             | 34.8          | 22.7                             | 22.7          |
|   | =====                            | =====         | =====                            | =====         |
| Adjusted earnings per ordinary share                          |                                  |               |                                  |               |
| Profit available for equity holders (\$m)                     | 103                              | 103           | 67                               | 67            |
| Adjusting items (note 7):                                     |                                  |               |                                  |               |
| Exceptional operating items (\$m)                             | (27)                             | (27)          | 44                               | 44            |
| Tax (\$m)   | 2                                | 2             | (18)                             | (18)          |
|   | -----                            | -----         | -----                            | -----         |
| Adjusted earnings (\$m)                                       | 78                               | 78            | 93                               | 93            |
| Basic weighted average number of ordinary shares (millions)   | 288                              | 288           | 286                              | 286           |
| Adjusted earnings per ordinary share (cents)                  | 27.1                             | 27.1          | 32.5                             | 32.5          |
|   | =====                            | =====         | =====                            | =====         |
| Diluted weighted average number of ordinary shares (millions) | 296                              | 296           | 295                              | 295           |
| Adjusted diluted earnings per ordinary share (cents)          | 26.4                             | 26.4          | 31.5                             | 31.5          |
|   | =====                            | =====         | =====                            | =====         |

Earnings per ordinary share (continued)

9.

| 9 months ended 30 September                                      | 2010<br>Continuing<br>operations | 2010<br>Total | 2009<br>Continuing<br>operations | 2009<br>Total |
|--|----------------------------------|---------------|----------------------------------|---------------|
| Basic earnings per ordinary share                                |                                  |               |                                  |               |
| Profit available for equity holders (\$m)                        | 242                              | 244           | 32                               | 38            |
| Basic weighted average number of ordinary shares<br>(millions)   | 288                              | 288           | 285                              | 285           |
| Basic earnings per ordinary share (cents)                        | 84.0                             | 84.7          | 11.2                             | 13.3          |
|  | =====                            | =====         | =====                            | =====         |
| Diluted earnings per ordinary share                              |                                  |               |                                  |               |
| Profit available for equity holders (\$m)                        | 242                              | 244           | 32                               | 38            |
| Diluted weighted average number of ordinary shares<br>(millions) | 296                              | 296           | 294                              | 294           |
| Diluted earnings per ordinary share (cents)                      | 81.8                             | 82.4          | 10.9                             | 12.9          |
|  | =====                            | =====         | =====                            | =====         |
| Adjusted earnings per ordinary share                             |                                  |               |                                  |               |
| Profit available for equity holders (\$m)                        | 242                              | 244           | 32                               | 38            |
| Adjusting items (note 7):  |                                  |               |                                  |               |
| Exceptional operating items (\$m)                                | (31)                             | (31)          | 245                              | 245           |
| Tax (\$m)  | 2                                | 2             | (66)                             | (66)          |
| Gain on disposal of assets, net of tax<br>(\$m)                  | -                                | (2)           | -                                | (6)           |
|  | -----                            | -----         | -----                            | -----         |
| Adjusted earnings (\$m)  | 213                              | 213           | 211                              | 211           |
| Basic weighted average number of ordinary shares<br>(millions)   | 288                              | 288           | 285                              | 285           |
| Adjusted earnings per ordinary share (cents)                     | 74.0                             | 74.0          | 74.0                             | 74.0          |
|  | =====                            | =====         | =====                            | =====         |
| Diluted weighted average number of ordinary shares<br>(millions) | 296                              | 296           | 294                              | 294           |
| Adjusted diluted earnings per ordinary share (cents)             | 72.0                             | 72.0          | 71.8                             | 71.8          |
|  | =====                            | =====         | =====                            | =====         |

## Earnings per ordinary share from discontinued operations

|         | 2010<br>3 months<br>ended<br>30 September<br>cents per share | 2009<br>3 months<br>ended<br>30 September<br>cents per share | 2010<br>9 months<br>ended<br>30 September<br>cents per share | 2009<br>9 months<br>ended<br>30 September<br>cents per share |
|---------|--|--|--|--|
| Basic   | -  | -  | 0.7  | 2.1  |
| Diluted | -  | -  | 0.6  | 2.0  |
|         | =====  | =====  | =====  | =====  |

The diluted weighted average number of ordinary shares is calculated as:

| 2010<br>3 months ended<br>30 September | 2009<br>3 months ended<br>30 September | 2010<br>9 months ended<br>30 September | 2009<br>9 months ended<br>30 September |
|--|--|--|--|
|--|--|--|--|



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|   | millions   | millions   | millions   | millions   |
|---|------------|------------|------------|------------|
| Basic weighted average number of ordinary shares            | 288        | 286        | 288        | 285        |
| Dilutive potential ordinary shares – employee share options | 8          | 9          | 8          | 9          |
|   | <u>296</u> | <u>295</u> | <u>296</u> | <u>294</u> |
|   | =====      | =====      | =====      | =====      |

10. Dividends

|                                    | 2010<br>9 months<br>ended<br>30 September<br>cents per share | 2009<br>9 months<br>ended<br>30 September<br>cents per share | 2010<br>9 months<br>ended<br>30 September<br>\$m | 2009<br>9 months<br>ended<br>30 September<br>\$m |
|------------------------------------|--|--|--|--|
| Paid during the period:            |  |  |  |  |
| Final (declared for previous year) | 29.2   | 29.2   | 84   | 83   |
|                                    | =====  | =====  | =====  | =====  |
| Proposed for the period:           |  |  |  |  |
| Interim                            | 12.8   | 12.2   | 37   | 35   |
|                                    | =====  | =====  | =====  | =====  |

11. Net debt

|  | 2010<br>30 September<br>\$m | 2009<br>30 September<br>\$m | 2009<br>31 December<br>restated*<br>\$m |
|--|-----------------------------|-----------------------------|---|
| Cash and cash equivalents                | 51                          | 64                          | 40                                      |
| Loans and other borrowings – current     | (29)                        | (24)                        | (106)                                   |
| Loans and other borrowings – non-current | (806)                       | (1,199)                     | (1,016)                                 |
| Derivatives hedging debt values*         | (17)                        | -                           | (10)                                    |
| Net debt                                 | <u>(801)</u>                | <u>(1,159)</u>              | <u>(1,092)</u>                          |
|  | =====                       | =====                       | =====                                   |
| Finance lease liability included above   | (206)                       | (204)                       | (204)                                   |
|  | =====                       | =====                       | =====                                   |

\* With effect from 1 January 2010, net debt includes the exchange element of the fair value of currency swaps that fix the value of the Group's £250m 6% bonds at \$415m. An equal and opposite exchange adjustment on the retranslation of the £250m 6% bonds is included in non-current loans and other borrowings. Comparatives have been restated on a consistent basis.

12. Movement in net debt

|  | 2010 | 2009 | 2009 |
|--|------|------|------|
|--|------|------|------|

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|   | 9 months ended<br>30 September<br>\$m | 9 months ended<br>30 September<br>\$m | 12 months ended<br>31 December<br>\$m |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Net increase/(decrease) in cash and cash equivalents            | 11                                    | -                                     | (44)                                  |
| Add back cash flows in respect of other components of net debt: |                                       |                                       |                                       |
| Issue of £250m 6% bonds   | -                                     | -                                     | (411)                                 |
| Decrease in other borrowings                                    | 289                                   | 154                                   | 660                                   |
| Decrease in net debt arising from cash flows                    | <u>300</u>                            | <u>154</u>                            | <u>205</u>                            |
| Non-cash movements:   |                                       |                                       |                                       |
| Finance lease liability   | (2)                                   | (2)                                   | (2)                                   |
| Exchange and other adjustments                                  | (7)                                   | (38)                                  | (22)                                  |
| Decrease in net debt  | <u>291</u>                            | <u>114</u>                            | <u>181</u>                            |
| Net debt at beginning of the period                             | (1,092)                               | (1,273)                               | (1,273)                               |
| Net debt at end of the period                                   | <u>(801)</u><br>=====                 | <u>(1,159)</u><br>=====               | <u>(1,092)</u><br>=====               |

13. Commitments and contingencies

At 30 September 2010, the amount contracted for but not provided for in the financial statements for expenditure on property, plant and equipment and intangible assets was \$10m (2009 31 December \$9m, 30 September \$10m).

At 30 September 2010, the Group had contingent liabilities of \$10m (2009 31 December \$16m, 30 September \$19m) mainly relating to litigation claims.

In limited cases, the Group may provide performance guarantees to third-party owners to secure management contracts. The maximum unprovided exposure under such guarantees is \$95m (2009 31 December \$106m, 30 September \$205m).

From time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. The Group has also given warranties in respect of the disposal of certain of its former subsidiaries. It is the view of the Directors that, other than to the extent that liabilities have been provided for in these financial statements, such legal proceedings and warranties are not expected to result in material financial loss to the Group.

Following the 2009 actuarial review of the UK Pension Plan, the Company has agreed with the Plan Trustees to make additional contributions up to a total of £100m by 31 March

2017. The agreement includes three guaranteed additional annual contributions of £10m payable over the period 2010-2012, a 7.5% share of net proceeds from the disposal of hotels and a top-up in 2017 to the £100m total if required. The scheme is formally valued every three years and any valuations could lead to changes in the future amounts payable.

## INDEPENDENT REVIEW REPORT TO INTERCONTINENTAL HOTELS GROUP PLC

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the three and nine months ended 30 September 2010 which comprises the Group income statement, Group statement of comprehensive income, Group statement of changes in equity, Group statement of financial position, Group statement of cash flows and the related notes 1 to 13. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

### Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

### Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the three and nine months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP  
London  
8 November 2010

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

InterContinental Hotels Group PLC  
(Registrant)

By: /s/ C. Cox  
Name: C. COX  
Title: COMPANY SECRETARIAL OFFICER  
Date: 09 November 2010