

INTERCONTINENTAL HOTELS GROUP PLC /NEW/  
Form 6-K  
August 06, 2013

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 6 August 2013

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

Half Yearly Report dated 6 August 2013

Exhibit No: 99.1

InterContinental Hotels Group PLC  
Half Year Results to 30 June 2013  
Good performance with strong signing activity

| Financial summary <sup>o</sup> | 2013   | 2012   | Actual | % Change YoY |                |
|--------------------------------|--------|--------|--------|--------------|----------------|
|                                |        |        |        | CER2         | CER & ex. LDs3 |
| Revenue                        | \$936m | \$878m | 7%     | 7%           | 2%             |
| Operating profit               | \$338m | \$281m | 20%    | 20%          | 6%             |
| Total adjusted EPS             | 78.2¢  | 62.8¢  | 25%    |              |                |
| Total basic EPS4               | 127.8¢ | 93.4¢  | 37%    |              |                |
| Interim dividend per share     | 23.0¢  | 21.0¢  | 10%    |              |                |
| Net debt                       | \$861m | \$564m |        |              |                |

Richard Solomons, Chief Executive of InterContinental Hotels Group PLC, said:

"We have delivered a good performance in the first half, with our preferred brands driving RevPAR growth of 3.7%, including 4.0% in the second quarter. Our global scale has allowed us to reinvest in the business whilst growing margins, resulting in solid underlying profit gains led by our Americas region, and strong cash flows.

Consistent with our long track record of returning value to shareholders, we today announce a \$350m special dividend. In addition we are increasing the interim dividend by 10% reflecting our good first half results and the confidence we have in the future prospects of the business.

We continue to strengthen our foundation for future growth, signing more than 200 hotels into our pipeline, a notable increase on H1 2012 reflecting our owners' confidence in both IHG and the industry demand drivers.

Our high quality pipeline, broad geographic spread and fee based model give us confidence in the outlook, despite the ongoing challenging economic conditions in some of our markets."

#### Driving Market Share

- Total gross revenue5 from hotels in IHG's system of \$10.4bn, up 1% (2% CER).
- First half global RevPAR growth of 3.7% (rate up 1.9%) with second quarter up 4.0% (rate up 1.8%).
  - Americas 4.5% (US 4.7%); Europe 0.4%; AMEA 6.2%; Greater China (0.1)%.
  - Q2 RevPAR: Americas 4.6% (US 4.7%); Europe 2.2%; AMEA 6.8%; Greater China (1.9)%.
- Total system size of 678k rooms (4,643 hotels), up 1.7% year on year.

- 15k rooms (108 hotels) added to the system, with over half of these for the Holiday Inn brand family.
- Pipeline of 179k rooms (1,098 hotels), over 40% under construction.
- Signings of 32k rooms (216 hotels) up over 40% on H1 2012, with 9k rooms in Greater China.
- Openings and signings include 4k rooms on US Army bases added in the half.
- Fee revenue<sup>5</sup> up 4%<sup>2</sup> to \$562m, led by the Americas with growth of 7%<sup>2</sup>.
  - Increasing proportion of new rooms are now coming from developing markets, which have lower absolute RevPAR levels, particularly in the initial years as demand drivers mature.
- Building preferred brands.
  - Three EVEN Hotels in the pipeline at the end of June, of which two were added in H1, and with a fourth in July.
  - Four HUALUXE Hotels & Resorts signed, taking the pipeline to 19 hotels.
  - IHG Rewards Club launched 1 July; first loyalty programme in the industry to offer members free internet globally.
  - Holiday Inn ranked "Highest in Guest Satisfaction Among Mid-scale Full Service Hotel Chains" by J.D. Power and Associates for 3rd year running.
  - Holiday Inn Express Stay Smart™ campaign relaunched in the US.
- Growing margins.
  - Fee based margin<sup>5</sup> of 44.0%, up c.50 basis points year on year on an underlying basis.

#### Uses of Cash

- Return of funds to shareholders.
  - \$350m will be returned to shareholders via a special dividend<sup>7</sup> to be paid with the interim dividend in October.
  - The \$500m share buyback programme is almost 50% complete, with 8.9m shares repurchased for \$243m. Year to date 4.8m shares have been repurchased for \$136m.
- Growth investment funded by recycling capital.
  - \$401m<sup>6</sup> cash from disposals primarily represents \$368m<sup>6</sup> net proceeds from InterContinental London Park Lane.
  - Growth capital expenditure of \$55m in H1 includes c.\$30m on our first owned EVEN Hotel property.
  - Full year growth capital expenditure is on track for \$100m - \$200m.
  - Maintenance capital expenditure of \$59m in H1 and on track for c\$150m in the full year.
- Sustainable growth in the ordinary dividend.
  - 10% increase in the interim dividend to 23¢ reflects confidence in IHG's future prospects and our cash generative business model.

#### Asset disposals

- Disposal of InterContinental London Park Lane completed, with management contract secured for up to 60 years.
- The disposal process continues for InterContinental New York Barclay.

#### Current trading update

- Early indications are that current trading trends are broadly in line with the first half.

<sup>°</sup> All figures are before exceptional items unless otherwise noted. See appendices for financial<sup>1</sup> Restated for the adoption of IAS19R headlines

<sup>2</sup> CER = constant exchange rates

<sup>3</sup> Excluding liquidated damages receipts in 2013 of \$31m in the Americas and \$9m in Europe (\$0m in 2012)

<sup>4</sup> Including exceptional items

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

<sup>6</sup> Net of \$(94)m, which has been used to provide security over UK pension liabilities

<sup>7</sup> Special dividend to be paid without share consolidation.

Americas - Continued RevPAR progression drives profit growth

RevPAR increased 4.5% (with 2.9% rate growth) and second quarter RevPAR increased 4.6% (with 2.5% rate growth). US RevPAR was up 4.7% in both the first half and the second quarter. On a total basis, including the benefit from new hotels but excluding the impact from the removal of 8 hotels with one owner, US RevPAR grew 4.9% in H1 with 5.1% in the second quarter.

Revenue increased 14% to \$457m and operating profit increased 21% to \$282m. After adjusting for the \$31m liquidated damages receipt in the managed business and excluding results from one managed lease hotel\*, revenue increased 7% and operating profit increased 8%. This was driven by 6% growth in franchise royalties, and strong drop-through in the owned and leased hotels. This was partly offset by the loss of \$4m in fees relating to the 8 hotels with one owner that were removed in the first quarter, and a \$4m increase in regional overheads.

We opened 10k rooms (89 hotels) in the first half, with more than half of these rooms under the Holiday Inn brand family. We signed and opened 4k rooms on US Army bases in the first half, taking the total open under this contract to 12k rooms. Signings of 18k rooms (161 hotels) are up 39% year on year (up 8% excluding the rooms on US Army bases), and included two EVEN Hotels properties.

Europe - Resilient trading in key markets

RevPAR increased 0.4%, with 0.5% rate decline. Second quarter RevPAR increased 2.2% (with 0.3% rate growth) in part reflecting the reversal of the Easter timing impact as expected. Trading was resilient in our key markets with H1 RevPAR up 1.6% in the UK, 1.1% in Germany and 4.0% in France.

Revenue of \$206m was flat year on year and operating profit of \$53m increased 6% (reported and CER). After adjusting for a \$9m liquidated damages receipt in Europe franchised, the disposal of InterContinental London Park Lane in Q2 2013 and excluding results from managed lease hotels\*, both revenue and operating profit increased 6% at CER. Strong owned and leased hotel performance was driven by 11.3% RevPAR growth at InterContinental Paris Le Grand.

We opened 2k rooms (8 hotels) in the half, including 1k rooms for the Holiday Inn brand family, a Hotel Indigo hotel in Barcelona, the first for the brand in Southern Europe and a new InterContinental in Marseille. We signed 2k rooms (15 hotels); mostly for the Holiday Inn brand family, including a third signing under the 15 hotel multiple development agreement for Holiday Inn Express in Russia.

AMEA - Good RevPAR growth across the region

RevPAR was up 6.2% (with 1.6% rate growth) and second quarter RevPAR was up 6.8% (with 2.3% rate growth). Southeast Asia and Japan reported high single digit RevPAR growth; the Middle East and Australasia both achieved mid-single digit RevPAR increases.

Revenue decreased 6% (3% CER) to \$102m and operating profit increased 3% (5% CER) to \$41m. At CER and excluding results from one managed lease hotel\*, revenue decreased 6% and operating profit increased 5%. This was driven by strong RevPAR growth and lower costs in the managed business, partly offset by a \$3m negative impact from the renewal of a small number of long-standing contracts onto current commercial terms (full year impact expected to be \$6m).

We opened 2k rooms (6 hotels) in the first half, including an InterContinental hotel in Osaka, our first new build InterContinental to open in Japan for over 15 years. We signed 3k rooms (10 hotels) in H1, up over 80% year on year, including a Crowne Plaza hotel in Oman and 2k rooms for the Holiday Inn brand family including our first Holiday Inn hotel for Mauritius. In July we announced a 15 hotel multiple development agreement in Australia for Holiday Inn Express.

Greater China - Strong signings and industry outperformance

RevPAR decreased 0.1%, (with rate down 1.2%) outperforming the industry by 5.9% points. Second quarter RevPAR decreased 1.9% with a 2.0% rate decline. This reflects the adverse impact from a series of natural disasters in Western China in Q2 and the ongoing impact from the slower macroeconomic conditions.

Revenue increased 4% (4% CER) to \$112m due to 8% net rooms growth driving rooms revenue up 9% and non-rooms revenues up 3%. Operating profit was flat at \$36m (reported and CER) reflecting managed system size growth and cost control measures at InterContinental Hong Kong. This was offset by investment in regional overheads to support future growth as previously disclosed.

We opened 2k rooms (5 hotels) in H1, including a 500 room Crowne Plaza resort hotel in Xishuangbanna, the first major international hotel to open in this prime leisure market in Southwest China, and our first Hotel Indigo hotel in Hong Kong. We signed 9k rooms (30 hotels) taking the pipeline to 58k rooms and reflecting the confidence owners have in both IHG and the compelling long term growth opportunity for this region.

\*See appendix 5 for definition

Interest, tax, net debt, exceptional items and accounting policy change

Interest: H1 charge of \$36m (H1 2012: \$25m) reflected the increase in gross debt year on year, following the issuance of a £400m bond in November 2012.

Tax: Based on the position at the end of the half, the tax charge has been calculated using an estimated annual tax rate of 31% (H1 2012: 29%). The full year tax rate is expected to be in the low 30s in 2013 and 2014 as previously guided.

Net debt: \$861m at the end of the half (including the \$213m finance lease on the InterContinental Boston). This is up from \$564m at 30 June 2012 as a result of the \$0.5bn special dividend paid in October 2012 and the \$243m share buyback completed to date, but down on the year end position of \$1,074m due to the \$368m net cash inflow from the disposal of the InterContinental London Park Lane.

Exceptional operating items: net exceptional credit of \$160m for the half included \$166m net gain on disposal of InterContinental London Park Lane.

Adoption of IAS 19 (Revised) 'Employee Benefits': adoption of this new accounting policy from 1 January 2013 has resulted in an additional \$5m charge to operating profit for H1 2012, as reflected in the restated 2012 half year accounts.

Appendix 1: RevPAR Movement Summary

| Group    | Half Year 2013 |        |        | Q2 2013 |        |        |
|----------|----------------|--------|--------|---------|--------|--------|
|          | RevPAR         | Rate   | Occ.   | RevPAR  | Rate   | Occ.   |
| Group    | 3.7%           | 1.9%   | 1.1pts | 4.0%    | 1.8%   | 1.4pts |
| Americas | 4.5%           | 2.9%   | 1.0pts | 4.6%    | 2.5%   | 1.4pts |
| Europe   | 0.4%           | (0.5)% | 0.6pts | 2.2%    | 0.3%   | 1.4pts |
| AMEA     | 6.2%           | 1.6%   | 3.1pts | 6.8%    | 2.3%   | 3.1pts |
| G. China | (0.1)%         | (1.2)% | 0.6pts | (1.9)%  | (2.0)% | 0.1pts |

\*See appendix 5 for definition

Appendix 2: First Half System & Pipeline Summary (rooms)

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| Group    | Openings | Removals | System  |         | YoY%   | Pipeline |         |
|----------|----------|----------|---------|---------|--------|----------|---------|
|          |          |          | Net     | Total   |        | Signings | Total   |
| Group    | 14,910   | (12,926) | 1,984   | 677,966 | 1.7%   | 31,554   | 178,759 |
| Americas | 10,075   | (7,187)  | 2,888   | 452,505 | 1.3%   | 17,737   | 75,102  |
| Europe   | 1,548    | (3,085)  | (1,537) | 100,490 | (0.6)% | 2,126    | 15,090  |
| AMEA     | 1,683    | (2,309)  | (626)   | 62,111  | 2.4%   | 2,540    | 30,836  |
| G. China | 1,604    | (345)    | 1,259   | 62,860  | 8.0%   | 9,151    | 57,731  |

Appendix 3: First Half financial headlines

| 6 months to 30 June 2013     | Total |       | Americas |      | Europe |       | AMEA |      | G. China |      | Central |       |
|------------------------------|-------|-------|----------|------|--------|-------|------|------|----------|------|---------|-------|
|                              | 2013  | 2012* | 2013     | 2012 | 2013   | 2012* | 2013 | 2012 | 2013     | 2012 | 2013    | 2012* |
| Operating Profit \$m         |       |       |          |      |        |       |      |      |          |      |         |       |
| Franchised                   | 294   | 263   | 245      | 224  | 41     | 31    | 6    | 6    | 2        | 2    | -       | -     |
| Managed                      | 132   | 103   | 52       | 24   | 12     | 15    | 45   | 42   | 23       | 22   | -       | -     |
| Owned & leased               | 51    | 50    | 11       | 7    | 17     | 20    | 1    | 2    | 22       | 21   | -       | -     |
| Regional overheads           | (65)  | (57)  | (26)     | (22) | (17)   | (16)  | (11) | (10) | (11)     | (9)  | -       | -     |
| Profit pre central overheads | 412   | 359   | 282      | 233  | 53     | 50    | 41   | 40   | 36       | 36   | -       | -     |
| Central overheads            | (74)  | (78)  | -        | -    | -      | -     | -    | -    | -        | -    | (74)    | (78)  |
| Group Operating profit       | 338   | 281   | 282      | 233  | 53     | 50    | 41   | 40   | 36       | 36   | (74)    | (78)  |

\*Restated for the adoption of IAS19R.

Appendix 4: Constant exchange rate (CER) operating profit movement before exceptional items

|                      | Total*** |       | Americas |       | Europe  |       | AMEA    |       | G. China |       |
|----------------------|----------|-------|----------|-------|---------|-------|---------|-------|----------|-------|
|                      | Actual*  | CER** | Actual*  | CER** | Actual* | CER** | Actual* | CER** | Actual*  | CER** |
| H1 Growth/ (decline) | 20%      | 20%   | 21%      | 21%   | 6%      | 6%    | 3%      | 5%    | 0%       | 0%    |

|                 |         |  |         |  |  |  |  |  |  |   |
|-----------------|---------|--|---------|--|--|--|--|--|--|---|
| Exchange rates: | H1      |  |         |  |  |  |  |  |  |   |
|                 | GBP:USD |  | EUR:USD |  |  |  |  |  |  | * US dollar actual currency                   |
| 2013            | 0.65    |  | 0.76    |  |  |  |  |  |  | ** Translated at constant 2012 exchange rates |
| 2012            | 0.63    |  | 0.77    |  |  |  |  |  |  | *** After central overheads                   |

Appendix 5: Definitions

Total gross revenue: 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.

Fee based margin and fee revenue: adjusted for owned and leased hotels, managed leases hotels and individually significant liquidated damages payments.

Managed lease hotels: properties that are structured for legal reasons as operating leases but with the same characteristics as management contracts.

Appendix 6: Investor Information for 2013 interim dividend

|                   |                |                   |   |
|-------------------|----------------|-------------------|---|
| Ex-dividend date: | 21 August 2013 | Record date:      | 23 August 2013  |
| Payment date:     | 4 October 2013 | Dividend payment: | Ordinary shares = 15.1 pence per share<br>ADRs = 23.0 cents per ADR |

Appendix 7: Investor Information for 2013 special dividend

|                   |                |                   |  |
|-------------------|----------------|-------------------|--|
| Ex-dividend date: | 21 August 2013 | Record date:      | 23 August 2013   |
| Payment date:     | 4 October 2013 | Dividend payment: | Ordinary shares = 87.1 pence per share<br>ADRs = 133.0 cents per ADR |

For further information, please contact:

|  |  |
|--|--|
| Investor Relations (Catherine Dolton; Isabel Green): | +44 (0)1895 512176                     |
| Media Relations (Yasmin Diamond, Zoe Bird):          | +44 (0)1895 512008 +44 (0) 7736 746767 |
| Presentation for Analysts and Shareholders:          |  |

A presentation with Richard Solomons, Chief Executive Officer and Tom Singer, Chief Financial Officer will commence at 9.30am UK time on 6 August at Goldman Sachs, Rivercourt, 120 Fleet Street, London, EC4A 2BE. There will be an opportunity to ask questions. The presentation will conclude at approximately 11am.

There will be a live audio webcast of the results presentation on the web address <http://www.ihgplc.com/interims13>.

The archived webcast of the presentation is expected to be on this website later on the day of the results and will remain on it for the foreseeable future. There will also be a live dial-in facility:

|              |                     |
|--------------|---------------------|
| UK Toll      | +44 (0)20 3003 2666 |
| UK Toll Free | 0808 109 0700       |
| US Toll      | +1 646 843 4608     |
| US Toll Free | +1 866 966 5335     |
| Passcode:    | IHG                 |

A replay of the 9.30 am conference call will be available following the event - details are below:

|            |                     |
|------------|---------------------|
| UK Toll    | +44 (0)20 8196 1998 |
| Replay pin | 2184275             |

US conference call and Q&A:

There will also be a conference call, primarily for US investors and analysts, at 9.00am Eastern Standard Time on 6 August with Richard Solomons (Chief Executive Officer) and Tom Singer (Chief Financial Officer). There will be an opportunity to ask questions.

|              |                     |
|--------------|---------------------|
| UK Toll      | +44 (0)20 3003 2666 |
| UK Toll Free | 0808 109 0700       |
| US Toll      | +1 646 843 4608     |
| US Toll Free | +1 866 966 5335     |
| Passcode:    | IHG                 |

A replay of the 9am EST conference call will be available following the event - details are below:

|            |                     |
|------------|---------------------|
| UK Toll    | +44 (0)20 8196 1998 |
| Replay pin | 8150046             |

Website:

The full release and supplementary data will be available on our website from 7.00 am (London time) on 6 August. The web address is <http://www.ihgplc.com/interims13>. To watch a video of Tom Singer reviewing our results visit our YouTube channel at <http://www.youtube.com/ihgplc>.

Notes to Editors

IHG (InterContinental Hotels Group) [LON:IHG, NYSE:IHG (ADRs)] is a global organisation with a broad portfolio of nine hotel brands, including InterContinental® Hotels & Resorts, Hotel Indigo® Hotels, Crowne Plaza® Hotels & Resorts, Holiday Inn® Hotels and Resorts, Holiday Inn Express® Hotels, Staybridge Suites® Hotels, Candlewood Suites® Hotels, EVEN™ Hotels and HUALUXE™ Hotels & Resorts.

IHG manages IHG® Rewards Club, the world's first and largest hotel loyalty programme with over 74 million members worldwide. The programme was relaunched in July 2013, offering enhanced benefits for members including free internet across all hotels, globally.

IHG franchises, leases, manages or owns over 4,600 hotels and 678,000 guest rooms in nearly 100 countries and territories. With more than 1,000 hotels in its development pipeline, IHG expects to recruit around 90,000 people into additional roles across its estate 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.

Visit [www.ihg.com](http://www.ihg.com) for hotel information and reservations and [www.ihgrewardsclub.com](http://www.ihgrewardsclub.com) for more on IHG Rewards Club. For our latest news, visit: [www.ihg.com/media](http://www.ihg.com/media), [www.twitter.com/ihg](http://www.twitter.com/ihg), [www.facebook.com/ihg](http://www.facebook.com/ihg) or [www.youtube.com/ihgplc](http://www.youtube.com/ihgplc).

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.

INTERIM MANAGEMENT REPORT

This Interim Management Report discusses the performance of InterContinental Hotels Group PLC (the Group or IHG) for the six months ended 30 June 2013.

GROUP PERFORMANCE

| Group results |          | 6 months ended 30 June |      |        |
|---------------|----------|------------------------|------|--------|
|               |          | 2013                   | 2012 | %      |
|               |          | \$m                    | \$m  | change |
| Revenue       | Americas | 457                    | 400  | 14.3   |
|               | Europe   | 206                    | 206  | -      |

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|   |               |             |             |        |
|---|---------------|-------------|-------------|--------|
|   | AMEA          | 102         | 108         | (5.6)  |
|   | Greater China | 112         | 108         | 3.7    |
|   | Central       | 59          | 56          | 5.4    |
|   |               | 936         | 878         | 6.6    |
| Operating profit                            |               | —           | —           | —      |
|   | Americas      | 282         | 233         | 21.0   |
|   | Europe        | 53          | 50          | 6.0    |
|   | AMEA          | 41          | 40          | 2.5    |
|   | Greater China | 36          | 36          | -      |
|   | Central       | (74)        | (78)        | 5.1    |
|   |               | 338         | 281         | 20.3   |
| Operating profit before exceptional items   |               | 338         | 281         | 20.3   |
| Exceptional operating items                 |               | 160         | 23          | 595.7  |
|   |               | 498         | 304         | 63.8   |
| Net financial expenses                      |               | (36)        | (25)        | (44.0) |
|   |               | 462         | 279         | 65.6   |
| Profit before tax                           |               | 462         | 279         | 65.6   |
| Earnings per ordinary share                 |               | —           | —           | —      |
|   | Basic         | 127.8¢      | 93.4¢       | 36.8   |
|   | Adjusted      | 78.2¢       | 62.8¢       | 24.5   |
| Average US dollar to sterling exchange rate |               | \$1 : £0.65 | \$1 : £0.63 | 3.2    |

Revenue increased by 6.6% to \$936m and operating profit before exceptional items increased by 20.3% to \$338m during the six months ended 30 June 2013. Excluding the benefit of \$31m liquidated damages receipts in the Americas and a \$9m liquidated damages receipt in Europe in 2013, revenue and operating profit increased by \$21m (2.4%) and \$17m (6.0%) respectively when translated at constant currency and applying 2012 exchange rates.

Fee revenue increased by 3.9% during the six months ended 30 June 2013, when translated at constant currency and applying 2012 exchange rates. Group RevPAR increased by 3.7% over the same period, with average daily rate increasing by 1.9%.

Trading was solid over the first half of the year, with continued favourable supply and demand dynamics in the US, resilience in Europe and good RevPAR growth in key markets in AMEA. RevPAR in Greater China decreased by 0.1% compared to the same period in the prior year, with the region currently experiencing industry-wide challenges.

On 1 May 2013, IHG completed the disposal of its leasehold interest in the InterContinental London Park Lane for gross proceeds of \$469m. A 30 year management contract with three 10-year extension rights was secured and management fees are expected to be approximately \$6m per annum.

Operating profit has increased in all regions except Greater China, with the Group's results also benefitting from System size growth of 1.7% year-on-year to 677,966 rooms.

Profit before tax increased by \$183m from \$279m to \$462m. Adjusted earnings per ordinary share increased by 24.5% to 78.2¢.

The IHG global System (the number of hotels which are franchised, managed, owned or leased by the Group) increased in the first half of 2013 by 41 hotels (1,984 rooms) to 4,643 hotels (677,966 rooms). Openings of 108 hotels

(14,910 rooms) were driven by continued expansion of the Holiday Inn brand family, which has opened more than 7,000 rooms in the first half of the year. Almost two-thirds of these rooms were opened in the US, whilst the Holiday Inn brand family continues to grow in developing markets, with openings this year in China, Thailand and the Philippines. 30 hotels (3,794 rooms) were also opened as part of the US government's Privatization of Army Lodgings initiative. 67 hotels (12,926 rooms) were removed from the System.

At 30 June 2013, the pipeline totalled 1,098 hotels (178,759 rooms), an increase of 45 hotels (9,729 rooms) since the year-end. The IHG pipeline represents hotels and rooms where a contract has been signed and the appropriate fees paid. Almost a third of the pipeline is located in the Greater China region.

Signings of 216 hotels (31,554 rooms) for the six months ended 30 June 2013 were 64 hotels (9,450 rooms) higher than in the same period in 2012 and included 33 hotels (3,926 rooms) signed as part of the US government's Privatization of Army Lodgings. Terminations of 63 hotels (6,915 rooms) were significantly lower than the corresponding period in the prior year (124 hotels, 17,654 rooms), reflecting the quality of the Group's current pipeline, following active management of deals that were dormant or no longer viable out of the pipeline in prior periods.

## THE AMERICAS

| Americas Results                          | 2013<br>\$m | 6 months ended 30 June |             |
|---|-------------|------------------------|-------------|
|   |             | 2012<br>\$m            | %<br>change |
| Revenue                                   |             |                        |             |
| Franchised                                | 278         | 260                    | 6.9         |
| Managed                                   | 79          | 47                     | 68.1        |
| Owned and leased                          | 100         | 93                     | 7.5         |
| Total                                     | <u>457</u>  | <u>400</u>             | <u>14.3</u> |
| Operating profit before exceptional items |             |                        |             |
| Franchised                                | 245         | 224                    | 9.4         |
| Managed                                   | 52          | 24                     | 116.7       |
| Owned and leased                          | 11          | 7                      | 57.1        |
|   | <u>308</u>  | <u>255</u>             | <u>20.8</u> |
| Regional overheads                        | (26)        | (22)                   | (18.2)      |
| Total                                     | <u>282</u>  | <u>233</u>             | <u>21.0</u> |

Revenue increased by \$57m (14.3%) to \$457m and operating profit before exceptional items increased by \$49m (21.0%) to \$282m during the six months ended 30 June 2013. RevPAR increased by 4.5% in the first half of 2013, with the US up 4.7% reflecting continued favourable supply and demand dynamics in the country. Revenue and operating profit were adversely impacted by the loss of \$4m fees on the exit of eight Holiday Inn hotels owned by FelCor Lodging Trust.

Franchised revenue increased by \$18m (6.9%) to \$278m. Royalties growth of 5.5% was driven by RevPAR growth of 3.5%, together with year-on-year System size growth of 1.5%. Fees associated with the initial franchising, relicensing and termination of hotels were \$2m higher than the same period in 2012. Operating profit increased by \$21m (9.4%)

to \$245m.

Managed revenue increased by \$32m (68.1%) to \$79m and operating profit increased by \$28m (116.7%) to \$52m. Revenue and operating profit included \$19m (2012: \$19m) and \$1m (2012: \$1m) respectively from a property that is structured for legal reasons as an operating lease but has the same characteristics as a management contract. Excluding this property, as well as the benefit of \$31m liquidated damages receipts relating to the exit of eight hotels owned by FelCor Lodging Trust during the first half of the year, revenue increased by \$1m (3.6%) and operating profit decreased by \$3m (13.0%). RevPAR increased by 14.0%, partly reflecting the impact of completing renovations at a number of hotels.

Owned and leased revenue increased by \$7m (7.5%) to \$100m and operating profit increased by \$4m (57.1%) to \$11m, with RevPAR increasing by 6.3%, with a particularly strong performance at the InterContinental Boston, which achieved RevPAR growth of 10.0%.

| Americas hotel and room count | Hotels          |                                    | Rooms           |                                    |
|-------------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                               | 2013<br>30 June | Change over<br>2012<br>31 December | 2013<br>30 June | Change over<br>2012<br>31 December |
| Analysed by brand             |                 |                                    |                 |                                    |
| InterContinental              | 51              | (2)                                | 17,443          | (313)                              |
| Crowne Plaza                  | 177             | (6)                                | 47,273          | (1,457)                            |
| Holiday Inn*                  | 808             | (12)                               | 143,662         | (2,999)                            |
| Holiday Inn Express           | 1,961           | 30                                 | 171,513         | 3,115                              |
| Staybridge Suites             | 185             | 2                                  | 19,965          | 178                                |
| Candlewood Suites             | 304             | 5                                  | 29,083          | 408                                |
| Hotel Indigo                  | 37              | -                                  | 4,340           | 33                                 |
| Other                         | 80              | 31                                 | 19,226          | 3,923                              |
| <b>Total</b>                  | <b>3,603</b>    | <b>48</b>                          | <b>452,505</b>  | <b>2,888</b>                       |
| Analysed by ownership type    |                 |                                    |                 |                                    |
| Franchised                    | 3,382           | 28                                 | 409,955         | 2,106                              |
| Managed                       | 216             | 20                                 | 40,148          | 565                                |
| Owned and leased              | 5               | -                                  | 2,402           | 217                                |
| <b>Total</b>                  | <b>3,603</b>    | <b>48</b>                          | <b>452,505</b>  | <b>2,888</b>                       |

\* Includes 10 Holiday Inn Club Vacations (3,701 rooms) and 18 Holiday Inn Resort properties (4,572 rooms) (2012: 10 Holiday Inn Club Vacations (3,701 rooms) and 17 Holiday Inn Resort properties (4,240 rooms)).

The Americas System size increased in the first half of 2013 by 48 hotels (2,888 rooms), with 89 hotels (10,075 rooms) joining the system, compared to 75 hotels (8,974 rooms) in the prior year. Openings included 51 hotels (5,411 rooms) in the Holiday Inn brand family, representing more than half of the region's openings, with key openings in New York City and Philadelphia. A further 30 hotels (3,794 rooms) were also opened as part of the US government's Privatization of Army Lodgings initiative. 41 hotels (7,187 rooms) left the system in the period, including eight Holiday Inn hotels (2,526 rooms) owned by FelCor Lodging Trust for which \$31m liquidated damages were received in the first half of the year. Eight Crowne Plaza hotels (1,950 rooms) were removed in the first half of the year, partly reflecting the impact of the Group's Crowne Plaza repositioning programme.

| Americas pipeline          | Hotels          |                                    | Rooms           |                                    |
|----------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                            | 2013<br>30 June | Change over<br>2012<br>31 December | 2013<br>30 June | Change over<br>2012<br>31 December |
| Analysed by brand          |                 |                                    |                 |                                    |
| InterContinental           | 6               | 2                                  | 1,427           | 502                                |
| Crowne Plaza               | 18              | 2                                  | 4,121           | 384                                |
| Holiday Inn*               | 132             | (7)                                | 18,155          | (672)                              |
| Holiday Inn Express        | 358             | 13                                 | 33,606          | 1,218                              |
| Staybridge Suites          | 68              | 4                                  | 7,102           | 454                                |
| Candlewood Suites          | 83              | 5                                  | 7,235           | 493                                |
| Hotel Indigo               | 20              | (3)                                | 2,651           | (425)                              |
| EVEN Hotels                | 3               | 2                                  | 541             | 311                                |
| Other                      | 3               | 3                                  | 264             | 264                                |
| <b>Total</b>               | <b>691</b>      | <b>21</b>                          | <b>75,102</b>   | <b>2,529</b>                       |
| Analysed by ownership type |                 |                                    |                 |                                    |
| Franchised                 | 674             | 15                                 | 71,959          | 1,669                              |
| Managed                    | 16              | 5                                  | 2,982           | 699                                |
| Owned and Leased           | 1               | 1                                  | 161             | 161                                |
| <b>Total</b>               | <b>691</b>      | <b>21</b>                          | <b>75,102</b>   | <b>2,529</b>                       |

\* Includes 6 Holiday Inn Resort Suites properties (792 rooms) (2012: 5 Holiday Inn Resort Suites properties (640 rooms)).

The Americas pipeline at 30 June 2013 totalled 691 hotels (75,102 rooms) representing an increase of 21 hotels (2,529 rooms) over 31 December 2012.

New signings in the period of 161 hotels (17,737 rooms) were ahead of the same period last year by 51 hotels (4,986 rooms) and included 33 hotels (3,926 rooms) signed as part of the US government's Privatization of Army Lodgings initiative. The majority of the signings were within the Holiday Inn and Holiday Inn Express brands (93 hotels, 9,676 rooms). Two more hotels (311 rooms) were added as EVEN Hotels in the first half of 2013, taking the total pipeline for the brand to three hotels (541 rooms). Staybridge Suites and Candlewood Suites, IHG's extended stay hotel brands, also contributed signings of 28 hotels (2,579 rooms). Terminations from the pipeline of 51 hotels (5,133 rooms) represent a reduction from the levels terminated in the prior year (100 hotels, 11,506 rooms).

## EUROPE

| Europe results   | 2013<br>\$m | 6 months ended 30 June |             |
|------------------|-------------|------------------------|-------------|
|                  |             | 2012<br>\$m            | %<br>change |
| Revenue          |             |                        |             |
| Franchised       | 53          | 42                     | 26.2        |
| Managed          | 72          | 71                     | 1.4         |
| Owned and leased | 81          | 93                     | (12.9)      |

|   |      |      |        |
|---|------|------|--------|
| Total                                     | 206  | 206  | -      |
| Operating profit before exceptional items |      |      |        |
| Franchised                                | 41   | 31   | 32.3   |
| Managed                                   | 12   | 15   | (20.0) |
| Owned and leased                          | 17   | 20   | (15.0) |
|   | 70   | 66   | 6.1    |
| Regional overheads                        | (17) | (16) | (6.3)  |
| Total                                     | 53   | 50   | 6.0    |

Revenue was flat at \$206m and operating profit before exceptional items increased by \$3m (6.0%) to \$53m during the six months ended 30 June 2013. RevPAR increased by 0.4%, despite challenging economic conditions across much of the region. Trading was resilient in our key markets, with first half RevPAR up 1.6% in the UK, 1.1% in Germany and 4.0% in France.

Franchised revenue and operating profit increased by \$11m (26.2%) to \$53m and by \$10m (32.3%) to \$41m respectively. On a constant currency basis and excluding the benefit of a \$9m liquidated damages receipt in 2013, revenue and operating profit increased by \$3m (7.1%) and \$1m (3.2%) respectively, with RevPAR up 0.4%.

Managed revenue increased by \$1m (1.4%) to \$72m and operating profit decreased by \$3m (20.0%) to \$12m. Revenue included \$42m (2012: \$38m) and operating profit included a loss of \$1m (2012: \$1m profit) from properties that are structured for legal reasons as operating leases but with the same characteristics as management contracts. At constant currency and excluding these properties, revenue and operating profit decreased by \$2m (6.1%) and \$1m (7.1%), with RevPAR decreasing by 0.3% compared to the same period in 2012 and year-on-year System size declining by 1.0%.

Owned and leased revenue and operating profit decreased by \$12m (12.9%) to \$81m and by \$3m (15.0%) to \$17m. On a constant currency basis and after adjusting for the disposal of the InterContinental London Park Lane in 2013, revenue increased by \$6m (11.5%), with RevPAR increasing by 11.3% at the InterContinental Paris Le Grand. Operating profit increased by \$3m (50.0%) on the same basis.

| Europe hotel and room count | Hotels          |                                    | Rooms           |                                    |
|-----------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                             | 2013<br>30 June | Change over<br>2012<br>31 December | 2013<br>30 June | Change over<br>2012<br>31 December |
| Analysed by brand           |                 |                                    |                 |                                    |
| InterContinental            | 30              | -                                  | 9,307           | (87)                               |
| Crowne Plaza                | 83              | (1)                                | 19,338          | (228)                              |
| Holiday Inn*                | 280             | (8)                                | 45,320          | (1,290)                            |
| Holiday Inn Express         | 211             | (1)                                | 24,895          | (8)                                |
| Staybridge Suites           | 4               | -                                  | 605             | -                                  |
| Hotel Indigo                | 11              | 1                                  | 1,025           | 76                                 |
| Total                       | 619             | (9)                                | 100,490         | (1,537)                            |

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|                            |     |     |         |         |
|----------------------------|-----|-----|---------|---------|
| Analysed by ownership type |     |     |         |         |
| Franchised                 | 520 | (8) | 78,575  | (1,324) |
| Managed                    | 98  | -   | 21,445  | 234     |
| Owned and leased           | 1   | (1) | 470     | (447)   |
| Total                      | 619 | (9) | 100,490 | (1,537) |

\* Includes 2 Holiday Inn Resort properties (212 rooms) (2012: 3 Holiday Inn Resort properties (362 rooms)).

During the first half of 2013, Europe System size decreased by 9 hotels (1,537 rooms) to 619 hotels (100,490 rooms). Openings of eight hotels (1,548 rooms), were mainly within the Holiday Inn brand family, which opened five hotels (1,080 rooms). Other key openings included the 194-room InterContinental Marseille - Hotel Dieu, the fourth for the brand in France, and the Hotel Indigo Barcelona - Plaza Catalunya, the first for the brand in southern Europe. 17 hotels (3,085 rooms) left the system in the period.

| Europe pipeline            | Hotels          |                                    | Rooms           |                                    |
|----------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                            | 2013<br>30 June | Change over<br>2012<br>31 December | 2013<br>30 June | Change over<br>2012<br>31 December |
| Analysed by brand          |                 |                                    |                 |                                    |
| InterContinental           | 1               | (1)                                | 216             | (188)                              |
| Crowne Plaza               | 11              | (1)                                | 2,566           | (203)                              |
| Holiday Inn                | 23              | 3                                  | 4,628           | 361                                |
| Holiday Inn Express        | 43              | -                                  | 6,097           | (187)                              |
| Staybridge Suites          | 1               | -                                  | 168             | -                                  |
| Hotel Indigo               | 14              | 1                                  | 1,415           | 123                                |
| Total                      | 93              | 2                                  | 15,090          | (94)                               |
| Analysed by ownership type |                 |                                    |                 |                                    |
| Franchised                 | 84              | 1                                  | 11,780          | (406)                              |
| Managed                    | 9               | 1                                  | 3,310           | 312                                |
| Total                      | 93              | 2                                  | 15,090          | (94)                               |

The Europe pipeline at 30 June 2013 totalled 93 hotels (15,090 rooms), broadly in line with the pipeline at 31 December 2012. A total of 15 hotels (2,126 rooms) were added to the region's pipeline during the first six months of 2013. New signings were focussed on the Holiday Inn and Holiday Inn Express brands (11 hotels, 1,597 rooms), whilst Hotel Indigo continued to gain good traction with a further three hotel signings (278 rooms), including first signings for the brand in Italy and Finland. Terminations from the pipeline amounted to 5 hotels (672 rooms).

ASIA, MIDDLE EAST & AFRICA (AMEA)

| AMEA results | 6 months ended 30 June |             |             |
|--------------|------------------------|-------------|-------------|
|              | 2013<br>\$m            | 2012<br>\$m | %<br>change |
| Revenue      |                        |             |             |

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|   |             |             |               |
|---|-------------|-------------|---------------|
| Franchised                                | 8           | 10          | (20.0)        |
| Managed                                   | 73          | 75          | (2.7)         |
| Owned and leased                          | 21          | 23          | (8.7)         |
| Total                                     | <u>102</u>  | <u>108</u>  | <u>(5.6)</u>  |
| Operating profit before exceptional items |             |             |               |
| Franchised                                | 6           | 6           | -             |
| Managed                                   | 45          | 42          | 7.1           |
| Owned and leased                          | 1           | 2           | (50.0)        |
| Regional overheads                        | <u>52</u>   | <u>50</u>   | <u>4.0</u>    |
| Total                                     | <u>(11)</u> | <u>(10)</u> | <u>(10.0)</u> |
| Total                                     | <u>41</u>   | <u>40</u>   | <u>2.5</u>    |

Revenue decreased by \$6m (5.6%) to \$102m and operating profit before exceptional items increased by \$1m (2.5%) to \$41m. RevPAR increased by 6.2% in the first half of the year, with strong trading in the Middle East, Southeast Asia and Japan.

Franchised revenue decreased by \$2m (20.0%) to \$8m whilst operating profit was flat at \$6m.

Managed revenue decreased by \$2m (2.7%) to \$73m and operating profit increased by \$3m (7.1%) to \$45m. During the first half of 2013, a new property opened under an operating lease structure, with the same characteristics as a management contract, contributing revenue of \$2m and operating profit of nil. Excluding this property and on a constant currency basis, revenue decreased by \$3m (4.0%) and operating profit increased by \$4m (9.5%). This was driven by strong RevPAR growth of 5.8%, partly offset by a \$3m negative year-on-year impact from the renewal of a small number of long-standing contracts onto current commercial terms.

In the owned and leased estate, revenue and operating profit decreased by \$2m (8.7%) to \$21m and by \$1m (50.0%) to \$1m respectively.

| AMEA hotel and room count  | Hotels          |                                    | Rooms           |                                    |
|----------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                            | 2013<br>30 June | Change<br>over 2012<br>31 December | 2013<br>30 June | Change<br>over 2012<br>31 December |
| Analysed by brand          |                 |                                    |                 |                                    |
| InterContinental           | 66              | 1                                  | 21,016          | 225                                |
| Crowne Plaza               | 64              | (1)                                | 18,490          | (69)                               |
| Holiday Inn*               | 75              | -                                  | 17,256          | (184)                              |
| Holiday Inn Express        | 12              | -                                  | 2,877           | -                                  |
| Staybridge Suites          | 2               | -                                  | 304             | -                                  |
| Other                      | 11              | (2)                                | 2,168           | (598)                              |
| Total                      | <u>230</u>      | <u>(2)</u>                         | <u>62,111</u>   | <u>(626)</u>                       |
| Analysed by ownership type |                 |                                    |                 |                                    |

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|                  |            |            |               |              |
|------------------|------------|------------|---------------|--------------|
| Franchised       | 48         | -          | 11,121        | 261          |
| Managed          | 180        | (2)        | 50,403        | (887)        |
| Owned and leased | 2          | -          | 587           | -            |
| Total            | <u>230</u> | <u>(2)</u> | <u>62,111</u> | <u>(626)</u> |

\* Includes 13 Holiday Inn Resort properties (2,638 rooms) (2012: 14 Holiday Inn Resort properties (3,311 rooms)).

AMEA System size decreased by two hotels (626 rooms) to 230 hotels (62,111 rooms) in the first half of 2013. Openings of six hotels (1,683 rooms) included the 272-room InterContinental Osaka, our first new-build InterContinental to open in Japan for over 15 years. Eight hotels (2,309 rooms) were removed from the System.

| AMEA pipeline              | Hotels          |                                    | Rooms           |                                    |
|----------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                            | 2013<br>30 June | Change<br>over 2012<br>31 December | 2013<br>30 June | Change<br>over 2012<br>31 December |
| Analysed by brand          |                 |                                    |                 |                                    |
| InterContinental           | 20              | -                                  | 5,365           | (1)                                |
| Crowne Plaza               | 16              | (2)                                | 4,622           | (723)                              |
| Holiday Inn*               | 48              | 1                                  | 11,358          | 463                                |
| Holiday Inn Express        | 37              | 2                                  | 7,371           | 280                                |
| Staybridge Suites          | 7               | 1                                  | 908             | 180                                |
| Hotel Indigo               | 7               | 1                                  | 1,212           | 280                                |
| Total                      | <u>135</u>      | <u>3</u>                           | <u>30,836</u>   | <u>479</u>                         |
| Analysed by ownership type |                 |                                    |                 |                                    |
| Franchised                 | 4               | 2                                  | 742             | 317                                |
| Managed                    | 131             | 1                                  | 30,094          | 162                                |
| Total                      | <u>135</u>      | <u>3</u>                           | <u>30,836</u>   | <u>479</u>                         |

\* Includes 5 Holiday Inn Resort properties (1,301 rooms) (2012: 4 Holiday Inn Resort properties (900 rooms)).

The pipeline in AMEA increased over the period by three hotels (479 rooms) to 135 hotels (30,836 rooms). This movement included signings of 10 hotels (2,540 rooms), with seven hotels (1,760 rooms) added in the Holiday Inn brand family, including the first Holiday Inn hotel for Mauritius. Overall signings were higher than the corresponding period in the prior year, where six hotels (1,395 rooms) were added to the pipeline. One hotel (378 rooms) was terminated from the pipeline, compared to nine hotels (2,615 rooms) in the same period in the prior year.

GREATER CHINA

|                       |      |                        |        |
|-----------------------|------|------------------------|--------|
| Greater China results | 2013 | 6 months ended 30 June |        |
| Revenue               | \$m  | 2012                   | %      |
|                       |      | \$m                    | change |

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|   |       |       |        |
|---|-------|-------|--------|
| Franchised                                | 2     | 1     | 100.0  |
| Managed                                   | 41    | 40    | 2.5    |
| Owned and leased                          | 69    | 67    | 3.0    |
|   | <hr/> | <hr/> | <hr/>  |
| Total                                     | 112   | 108   | 3.7    |
|   | <hr/> | <hr/> | <hr/>  |
| Operating profit before exceptional items |       |       |        |
| Franchised                                | 2     | 2     | -      |
| Managed                                   | 23    | 22    | 4.5    |
| Owned and leased                          | 22    | 21    | 4.8    |
|   | <hr/> | <hr/> | <hr/>  |
|   | 47    | 45    | 4.4    |
| Regional overheads                        | (11)  | (9)   | (22.2) |
|   | <hr/> | <hr/> | <hr/>  |
| Total                                     | 36    | 36    | -      |
|   | <hr/> | <hr/> | <hr/>  |

Revenue increased by \$4m to \$112m (3.7%) and operating profit before exceptional items was flat at \$36m. RevPAR decreased by 0.1% in the first half of the year, outperforming the industry by 5.9 percentage points. Trading in the first half of 2013 was impacted by a series of natural disasters in Western China and the on-going impact from slower macroeconomic conditions.

Franchised revenue increased by \$1m (100.0%) to \$2m, whilst operating profit was flat at \$2m.

Managed revenue and operating profit increased by \$1m (2.5%) to \$41m and by \$1m (4.5%) to \$23m respectively. Year-on-year System size growth of 8.4% was offset by a RevPAR decrease of 0.8% compared to last year. Total gross revenue derived from non-rooms business also increased by 2.6%, compared to the six months ended 30 June 2012.

In the owned and leased estate, revenue increased by \$2m (3.0%) to \$69m, whilst operating profit increased by \$1m (4.8%) to \$22m. RevPAR decreased by 1.0% at the InterContinental Hong Kong, although this was offset by a 6.9% increase in non-rooms revenues.

Regional overheads increased by \$2m (22.2%) to \$11m, mainly reflecting additional resources to support growth in the region.

| Greater China hotel and room count | Hotels          |                                    | Rooms           |                                    |
|------------------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                                    | 2013<br>30 June | Change<br>over 2012<br>31 December | 2013<br>30 June | Change<br>over 2012<br>31 December |
| Analysed by brand                  |                 |                                    |                 |                                    |
| InterContinental                   | 23              | 1                                  | 9,514           | 141                                |
| Crowne Plaza                       | 62              | 2                                  | 22,279          | 827                                |
| Holiday Inn*                       | 64              | -                                  | 20,874          | 97                                 |
| Holiday Inn Express                | 38              | 1                                  | 9,650           | 197                                |
| Hotel Indigo                       | 4               | 1                                  | 543             | 138                                |
| Other                              | -               | (1)                                | -               | (141)                              |
|                                    | <hr/>           | <hr/>                              | <hr/>           | <hr/>                              |

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|                            |     |   |        |       |
|----------------------------|-----|---|--------|-------|
| Total                      | 191 | 4 | 62,860 | 1,259 |
| <hr/>                      |     |   |        |       |
| Analysed by ownership type |     |   |        |       |
| Franchised                 | 4   | - | 2,184  | -     |
| Managed                    | 186 | 4 | 60,173 | 1,259 |
| Owned and leased           | 1   | - | 503    | -     |
| <hr/>                      |     |   |        |       |
| Total                      | 191 | 4 | 62,860 | 1,259 |
| <hr/>                      |     |   |        |       |

\* Includes 3 Holiday Inn Resort properties (893 rooms) (2012: 3 Holiday Inn Resort properties (893 rooms)).

Greater China System size increased by four hotels (1,259 rooms) to 191 hotels (62,860 rooms) in the first half of 2013. Openings of five hotels (1,604 rooms) included the 138-room Hotel Indigo Hong Kong Island, the fourth for the brand in the Greater China region and the first in Hong Kong. One hotel (345 rooms) was removed from the System.

| Greater China pipeline     | Hotels          |                                    | Rooms           |                                    |
|----------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
|                            | 2013<br>30 June | Change<br>over 2012<br>31 December | 2013<br>30 June | Change<br>over 2012<br>31 December |
| Analysed by brand          |                 |                                    |                 |                                    |
| InterContinental           | 25              | 3                                  | 11,610          | 2,592                              |
| Crowne Plaza               | 52              | -                                  | 18,508          | (824)                              |
| Holiday Inn*               | 42              | 5                                  | 12,352          | 1,353                              |
| Holiday Inn Express        | 35              | 6                                  | 8,237           | 2,240                              |
| Hotel Indigo               | 6               | 1                                  | 760             | 191                                |
| HUALUXE                    | 19              | 4                                  | 6,264           | 1,360                              |
| Other                      | -               | -                                  | -               | (97)                               |
| <hr/>                      |                 |                                    |                 |                                    |
| Total                      | 179             | 19                                 | 57,731          | 6,815                              |
| <hr/>                      |                 |                                    |                 |                                    |
| Analysed by ownership type |                 |                                    |                 |                                    |
| Managed                    | 179             | 19                                 | 57,731          | 6,815                              |
| <hr/>                      |                 |                                    |                 |                                    |
| Total                      | 179             | 19                                 | 57,731          | 6,815                              |
| <hr/>                      |                 |                                    |                 |                                    |

\* Includes 4 Holiday Inn Resort properties (1,200 rooms) (2012: 3 Holiday Inn Resort properties (850 rooms)).

The pipeline in Greater China increased in the first half of 2013 by 19 hotels (6,815 rooms) to 179 hotels (57,731 rooms). 30 hotels (9,151 rooms) were signed into the pipeline, compared to 19 hotels (4,994 rooms) in the same period last year. Signings included a further four hotels (1,320 rooms) in the HUALUXE Hotels and Resorts brand, taking the total pipeline for the brand to 19 hotels (6,264 rooms). 16 hotels (4,929 rooms) were signed in the Holiday Inn brand family, including the 1,000-room Holiday Inn Express Changbaishan. Signings also included three InterContinental hotels (1,040 rooms). Six hotels (732 rooms) were terminated from the pipeline.

#### CENTRAL

Net central costs decreased by \$4m (5.1%) to \$74m during the six months ended 30 June 2013.

## SYSTEM FUNDS

In the six months ended 30 June 2013, System Fund income increased by \$18m (2.9%) to \$629m due to the growth in hotel room revenues and marketing programmes.

## OTHER FINANCIAL INFORMATION

### Exceptional Operating Items

Exceptional operating items totalled a net gain of \$160m. Exceptional gains included \$166m gain on disposal of the InterContinental London Park Lane and \$7m gain on disposal of a hotel by an associate in the Americas region. Exceptional charges included a \$10m litigation provision relating to the agreed settlement of a lawsuit filed against the Group and \$3m loyalty programme rebranding costs.

### Net Financial Expenses

Net financial expenses increased by \$11m to \$36m for the six months ended 30 June 2013 reflecting the increase in gross debt year-on-year following the issuance of a 10-year £400m public bond in November 2012 with a coupon of 3.875% under the Group's Medium Term Notes programme.

### Taxation

The tax charge on profit before tax, excluding the impact of exceptional items, has been calculated using an estimated effective annual tax rate of 31%. By also excluding the effect of prior year items, the equivalent effective tax rate would be approximately 33%. This rate is higher than the average UK statutory rate for the year of 23.25% due mainly to certain overseas profits (particularly in the US) being subject to statutory rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a charge of \$28m. This represented, primarily, tax charges arising as a consequence of the disposal of the InterContinental London Park Lane.

Net tax paid in the six months ended 30 June 2013 totalled \$45m.

### Dividends

The Board has proposed an interim dividend per ordinary share of 23.0¢ (15.1p), representing growth of 9.5% on the 2012 interim dividend.

### Capital Structure and Liquidity Management

During the six months ended 30 June 2013, \$226m of cash was generated from operating activities. \$114m was invested in capital expenditure and \$495m was generated from the disposal of assets, of which \$94m was invested in ring-fenced cash deposits providing security for pension obligations of the Group in the UK. After shareholder returns of \$242m including \$127m of share buybacks, net debt at 30 June 2013 was \$861m. Net debt included \$213m in respect of the finance lease obligations for the InterContinental Boston and \$35m in respect of currency swaps related to the £250m sterling bond.

On 6th August 2013, IHG announced a \$350m special dividend to be paid in the fourth quarter of 2013. The \$500m share buyback programme announced last year is almost 50% complete with 4.1m shares repurchased in the period to 31 December 2012 and a further 4.8m shares repurchased in the six months to 30 June 2013 for a total consideration

of \$243m before transaction costs.

## RISKS AND UNCERTAINTIES

The principal risks and uncertainties which could materially affect the Group's business for the remainder of the financial year remain those set out on pages 42 to 44 of the IHG Annual Report and Financial Statements 2012.

In summary, the Group is exposed to risks relating to:

- political and economic developments;
- events that adversely impact domestic or international travel;
- the hotel industry supply and demand cycle;
- the dependency on a wide range of external stakeholders and business partners;
- identifying, securing and retaining franchise and management agreements;
- changing technology and systems;
- the reputation of its brands and the protection of intellectual property rights;
- the reliance upon its proprietary reservations system and is exposed to the risk of failures in the system and increased competition in reservations infrastructure;
- information security and data privacy;
- safety security and crisis management;
- requiring the right people, skills and capability to manage growth and change;
- compliance with existing and changing regulations across numerous countries, territories and jurisdictions;
- litigation;
- corporate responsibility;
- its financial stability, ability to borrow and satisfy debt covenants;
- funding in relation to the defined benefits under its pension plans; and
- difficulties insuring the business.

We have delivered a good performance in the first half, with our preferred brands driving RevPAR growth of 3.7%. Our global scale has allowed us to reinvest in the business whilst growing margins, resulting in solid underlying profit gains and strong cash flows.

We continue to strengthen our foundation for future growth, signing more than 200 hotels into our pipeline, a notable increase on this time last year and reflecting our owners' confidence in both IHG and the industry demand drivers.

Our high quality pipeline, broad geographic spread and fee based model give us confidence in the outlook, despite the on-going challenging economic conditions in some of our markets. Forward indicators are positive with overall booking pace up on last year, with increases in both demand and rate. The travel industry continues to benefit from good long term growth trends and we are well positioned to capture this. Within this, the Eurozone continues to see limited economic growth however the Group is not significantly exposed to this region. In Greater China trading remains challenging at present but we would expect some improvement as the year progresses. Overall, our high quality pipeline, broad geographic spread and fee based model give us confidence in the outlook, despite the on-going economic challenges in some of our markets.

Consistent with our long track record of creating value for shareholders, we today announce a \$350m special dividend. In addition we are increasing the interim dividend by 10% reflecting our good first half results and the confidence we have in the future prospects of the business.

A copy of the IHG Annual Report and Financial Statements 2012 is available at [www.ihgplc.com](http://www.ihgplc.com).

## GOING CONCERN

An overview of the business activities of IHG, including a review of the key business risks that the Group faces is given in this Interim Management Report. Information on the Group's treasury management policies can be found in note 21 to the Group Financial Statements in the IHG Annual Report and Financial Statements 2012. The Group refinanced its bank debt in November 2011 putting in place a five-year \$1.07bn syndicated bank facility which matures in November 2016. This facility was undrawn at 30 June 2013. In November 2012, the Group issued a 10-year £400m public bond under its Medium Term Notes programme. The £250m seven-year public bond issued under the programme in December 2009 remains outstanding. At the end of June 2013, the Group was trading significantly within its banking covenants and debt facilities.

The Group's fee-based model and wide geographic spread means that it is well placed to manage through uncertain times and our forecasts and sensitivity projections, based on a range of reasonably possible changes in trading performance and taking into account the risks and uncertainties outlined in this Interim Management Report, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- The condensed set of Financial Statements has been prepared in accordance with IAS 34;
- The Interim Management Report includes a fair review of the important events during the first six months and a description of the principal risks and uncertainties for the remaining six months of the year, as required by DTR 4.2.7R; and
- The Interim Management Report includes a fair review of related party transactions and changes therein, as required by DTR 4.2.8R.

On behalf of the Board

Richard Solomons  
Chief Executive

Tom Singer  
Chief Financial Officer

5 August 2013

5 August 2013

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP INCOME STATEMENT  
For the six months ended 30 June 2013

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|   | 6 months ended 30 June 2013 |                |               | 6 months ended 30 June 2012<br>(restated*) |                |              |
|---|-----------------------------|----------------|---------------|--|----------------|--------------|
|   | Before Exceptional          |                | Total         | Before Exceptional                         |                | Total        |
|   | exceptional items           | items (note 4) |               | exceptional items                          | items (note 4) |              |
|   | \$m                         | \$m            | \$m           | \$m  | \$m            | \$m          |
| Continuing operations                             |                             |                |               |  |                |              |
| Revenue (note 3)                                  | 936                         | -              | 936           | 878  | -              | 878          |
| Cost of sales                                     | (377)                       | -              | (377)         | (377)                                      | -              | (377)        |
| Administrative expenses                           | (182)                       | (13)           | (195)         | (178)                                      | -              | (178)        |
| Share of profits of associates and joint ventures | -                           | 7              | 7             | 2  | -              | 2            |
| Other operating income and expenses               | 1                           | 166            | 167           | 2  | -              | 2            |
|   | <u>378</u>                  | <u>160</u>     | <u>538</u>    | <u>327</u>                                 | <u>-</u>       | <u>327</u>   |
| Depreciation and amortisation                     | (40)                        | -              | (40)          | (46)                                       | -              | (46)         |
| Impairment  | -                           | -              | -             | -  | 23             | 23           |
|   | <u>(40)</u>                 | <u>-</u>       | <u>(40)</u>   | <u>(46)</u>                                | <u>23</u>      | <u>(23)</u>  |
| Operating profit (note 3)                         | 338                         | 160            | 498           | 281  | 23             | 304          |
| Financial income                                  | 3                           | -              | 3             | 2  | -              | 2            |
| Financial expenses                                | (39)                        | -              | (39)          | (27)                                       | -              | (27)         |
|   | <u>302</u>                  | <u>160</u>     | <u>462</u>    | <u>256</u>                                 | <u>23</u>      | <u>279</u>   |
| Profit before tax                                 | 302                         | 160            | 462           | 256  | 23             | 279          |
| Tax (note 5)                                      | (93)                        | (28)           | (121)         | (74)                                       | 66             | (8)          |
|   | <u>209</u>                  | <u>132</u>     | <u>341</u>    | <u>182</u>                                 | <u>89</u>      | <u>271</u>   |
| Profit for the period from continuing operations  | <u>209</u>                  | <u>132</u>     | <u>341</u>    | <u>182</u>                                 | <u>89</u>      | <u>271</u>   |
| Attributable to:                                  |                             |                |               |  |                |              |
| Equity holders of the parent                      | 208                         | 132            | 340           | 182  | 89             | 271          |
| Non-controlling interest                          | 1                           | -              | 1             | -  | -              | -            |
|   | <u>209</u>                  | <u>132</u>     | <u>341</u>    | <u>182</u>                                 | <u>89</u>      | <u>271</u>   |
|   | <u>209</u>                  | <u>132</u>     | <u>341</u>    | <u>182</u>                                 | <u>89</u>      | <u>271</u>   |
| Earnings per ordinary share (note 6)              |                             |                |               |  |                |              |
| Continuing and total operations:                  |                             |                |               |  |                |              |
| Basic   |                             |                | 127.8¢        |  |                | 93.4¢        |
| Diluted   |                             |                | 126.4¢        |  |                | 91.9¢        |
| Adjusted  | 78.2¢                       |                |               | 62.8¢                                      |                |              |
| Adjusted diluted                                  | 77.3¢                       |                |               | 61.7¢                                      |                |              |
|   | <u>78.2¢</u>                |                | <u>127.8¢</u> | <u>62.8¢</u>                               |                | <u>93.4¢</u> |
|   | <u>77.3¢</u>                |                | <u>126.4¢</u> | <u>61.7¢</u>                               |                | <u>91.9¢</u> |

\* Restated for the adoption of IAS19R 'Employee Benefits' (see note 1)

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP STATEMENT OF COMPREHENSIVE INCOME  
For the six months ended 30 June 2013

|   | 2013<br>6 months<br>ended 30<br>June<br>\$m | 2012<br>6 months<br>ended 30<br>June<br>(restated*)<br>\$m |
|---|---|--|
| Profit for the period   | 341   | 271  |
| Other comprehensive income  |   |  |
| Items that may be subsequently reclassified to profit or loss:  |   |  |
| Available-for-sale financial assets:  |   |  |
| Gains/(losses) on valuation   | 14  | (4)  |
| Exchange differences:   |   |  |
| On retranslation of foreign operations, net of related tax credit of \$2m (2012 \$1m)   | (34)  | (9)  |
| Losses reclassified to profit on hotel disposal   | 46  | -  |
|   | <u>26</u>                                   | <u>(13)</u>  |
| Items that will not be reclassified to profit or loss:  |   |  |
| Defined benefit pension plans:  |   |  |
| Actuarial (losses)/gains, including related tax charge of \$9m (2012 credit of \$1m)  | (22)  | 1  |
| Change in asset restriction on plans in surplus and liability in respect of funding commitments, net of a related tax charge of \$1m (2012 credit of \$13m) | 9   | 12   |
| Tax related to pension contributions  | 1   | 1  |
|   | <u>(12)</u>                                 | <u>14</u>  |
| Total other comprehensive income for the period   | <u>14</u>                                   | <u>1</u>   |
| Total comprehensive income for the period   | <u>355</u>                                  | <u>272</u>   |
|   | =====                                       | =====  |
| Attributable to:  |   |  |
| Equity holders of the parent  | 355   | 272  |
| Non-controlling interest  | -   | -  |
|   | <u>355</u>                                  | <u>272</u>   |

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\* Restated for the adoption of IAS19R 'Employee Benefits' (see note 1)

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP STATEMENT OF CHANGES IN EQUITY  
For the six months ended 30 June 2013

|  | 6 months ended 30 June 2013    |                           |                             |                                    | Total equity<br>\$m |
|--|--------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------|
|  | Equity share<br>capital<br>\$m | Other<br>reserves*<br>\$m | Retained<br>earnings<br>\$m | Non-controlling<br>interest<br>\$m |                     |
| At beginning of the period                     | 179                            | (2,652)                   | 2,781                       | 9                                  | 317                 |
| Total comprehensive income for<br>the period   | -                              | 27                        | 328                         | -                                  | 355                 |
| Issue of ordinary shares                       | 4                              | -                         | -                           | -                                  | 4                   |
| Repurchase of shares                           | -                              | -                         | (137)                       | -                                  | (137)               |
| Movement in shares in employee<br>share trusts | -                              | 31                        | (60)                        | -                                  | (29)                |
| Equity-settled share-based cost                | -                              | -                         | 13                          | -                                  | 13                  |
| Tax related to share schemes                   | -                              | -                         | 9                           | -                                  | 9                   |
| Equity dividends paid                          | -                              | -                         | (115)                       | (1)                                | (116)               |
| Exchange adjustments                           | (11)                           | 11                        | -                           | -                                  | -                   |
| At end of the period                           | <u>172</u>                     | <u>(2,583)</u>            | <u>2,819</u>                | <u>8</u>                           | <u>416</u>          |
|  | =====                          | =====                     | =====                       | =====                              | =====               |

|  | 6 months ended 30 June 2012    |                           |                             |                                    | Total equity<br>\$m |
|--|--------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------|
|  | Equity share<br>capital<br>\$m | Other<br>reserves*<br>\$m | Retained<br>earnings<br>\$m | Non-controlling<br>interest<br>\$m |                     |
| At beginning of the period                     | 162                            | (2,650)                   | 3,035                       | 8                                  | 555                 |
| Total comprehensive income for<br>the period   | -                              | (13)                      | 285                         | -                                  | 272                 |
| Issue of ordinary shares                       | 7                              | -                         | -                           | -                                  | 7                   |
| Movement in shares in employee<br>share trusts | -                              | 18                        | (63)                        | -                                  | (45)                |

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|   |            |                |              |          |            |
|---|------------|----------------|--------------|----------|------------|
| Equity-settled share-based cost                 | -          | -              | 13           | -        | 13         |
| Tax related to share schemes                    | -          | -              | 14           | -        | 14         |
| Equity dividends paid                           | -          | -              | (113)        | -        | (113)      |
| Share of reserve in equity accounted investment | -          | -              | 5            | -        | 5          |
| Exchange adjustments                            | 1          | (1)            | -            | -        | -          |
| At end of the period                            | <u>170</u> | <u>(2,646)</u> | <u>3,176</u> | <u>8</u> | <u>708</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 June 2013

|  | 2013<br>30 June<br>\$m | 2012<br>30 June<br>\$m | 2012<br>31 December<br>\$m |
|--|------------------------|------------------------|----------------------------|
| <b>ASSETS</b>                                  |                        |                        |                            |
| Property, plant and equipment                  | 1,079                  | 1,336                  | 1,056                      |
| Goodwill                                       | 83                     | 92                     | 93                         |
| Intangible assets                              | 408                    | 342                    | 354                        |
| Investment in associates and joint ventures    | 87                     | 90                     | 84                         |
| Retirement benefit assets                      | 78                     | 26                     | 99                         |
| Other financial assets                         | 260                    | 145                    | 155                        |
| Non-current tax receivable                     | 23                     | 42                     | 24                         |
| Deferred tax assets                            | 161                    | 145                    | 204                        |
| Total non-current assets                       | <u>2,179</u>           | <u>2,218</u>           | <u>2,069</u>               |
| Inventories                                    | 4                      | 4                      | 4                          |
| Trade and other receivables                    | 518                    | 465                    | 422                        |
| Current tax receivable                         | 4                      | 4                      | 31                         |
| Derivative financial instruments               | -                      | -                      | 2                          |
| Other financial assets                         | 5                      | 5                      | 6                          |
| Cash and cash equivalents                      | 396                    | 70                     | 195                        |
| Total current assets                           | <u>927</u>             | <u>548</u>             | <u>660</u>                 |
| Non-current assets classified as held for sale | 226                    | 218                    | 534                        |
| Total assets (note 3)                          | <u>3,332</u>           | <u>2,984</u>           | <u>3,263</u>               |
|  | =====                  | =====                  | =====                      |
| <b>LIABILITIES</b>                             |                        |                        |                            |
| Loans and other borrowings                     | (16)                   | (21)                   | (16)                       |
| Derivative financial instruments               | -                      | (1)                    | -                          |
| Trade and other payables                       | (691)                  | (671)                  | (709)                      |

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|   |                |                |                |
|---|----------------|----------------|----------------|
| Provisions                              | (4)            | (1)            | (1)            |
| Current tax payable                     | (43)           | (76)           | (54)           |
| Total current liabilities               | <u>(754)</u>   | <u>(770)</u>   | <u>(780)</u>   |
| Loans and other borrowings              | (1,206)        | (588)          | (1,242)        |
| Derivative financial instruments        | (42)           | (37)           | (19)           |
| Retirement benefit obligations          | (161)          | (192)          | (187)          |
| Trade and other payables                | (585)          | (527)          | (563)          |
| Provisions                              | -              | (1)            | (1)            |
| Deferred tax liabilities                | (106)          | (101)          | (93)           |
| Total non-current liabilities           | <u>(2,100)</u> | <u>(1,446)</u> | <u>(2,105)</u> |
| Liabilities classified as held for sale | (62)           | (60)           | (61)           |
| Total liabilities                       | <u>(2,916)</u> | <u>(2,276)</u> | <u>(2,946)</u> |
| Net assets                              | <u>416</u>     | <u>708</u>     | <u>317</u>     |
| EQUITY                                  |                |                |                |
| Equity share capital                    | 172            | 170            | 179            |
| Capital redemption reserve              | 11             | 10             | 11             |
| Shares held by employee share trusts    | (15)           | (9)            | (48)           |
| Other reserves                          | (2,892)        | (2,894)        | (2,901)        |
| Unrealised gains and losses reserve     | 86             | 67             | 72             |
| Currency translation reserve            | 227            | 180            | 214            |
| Retained earnings                       | 2,819          | 3,176          | 2,781          |
| IHG shareholders' equity                | <u>408</u>     | <u>700</u>     | <u>308</u>     |
| Non-controlling interest                | 8              | 8              | 9              |
| Total equity                            | <u>416</u>     | <u>708</u>     | <u>317</u>     |

INTERCONTINENTAL HOTELS GROUP PLC  
GROUP STATEMENT OF CASH FLOWS  
For the six months ended 30 June 2013

|                               | 2013<br>6 months ended<br>30 June<br>\$m | 2012<br>6 months ended<br>30 June<br>(restated*)<br>\$m |
|-------------------------------|--|---|
| Profit for the period         | 341                                      | 271   |
| Adjustments for:              |  |   |
| Net financial expenses        | 36                                       | 25  |
| Income tax charge             | 121                                      | 8   |
| Depreciation and amortisation | 40                                       | 46  |

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|   |             |             |
|---|-------------|-------------|
| Impairment  | -           | (23)        |
| Other exceptional operating items                                 | (160)       | -           |
| Equity-settled share-based cost                                   | 11          | 11          |
| Other items   | 2           | (2)         |
|   | <hr/>       | <hr/>       |
| Operating cash flow before movements in working capital           | 391         | 336         |
| Net change in loyalty programme liability and System Fund surplus | 99          | 118         |
| Other changes in net working capital                              | (198)       | (208)       |
| Utilisation of provisions, net of cost                            | 2           | (12)        |
| Retirement benefit contributions, net of cost                     | (9)         | (3)         |
| Cash flows relating to exceptional operating items                | (9)         | -           |
|   | <hr/>       | <hr/>       |
| Cash flow from operations   | 276         | 231         |
| Interest paid   | (11)        | (13)        |
| Interest received   | 1           | 1           |
| Tax paid on operating activities                                  | (40)        | (38)        |
|   | <hr/>       | <hr/>       |
| Net cash from operating activities                                | 226         | 181         |
|   | <hr/>       | <hr/>       |
| Cash flow from investing activities                               |             |             |
| Purchase of property, plant and equipment                         | (62)        | (12)        |
| Purchase of intangible assets                                     | (39)        | (32)        |
| Investment in other financial assets                              | (100)       | -           |
| Investment in associates and joint ventures                       | (7)         | (1)         |
| Disposal of hotel assets, net of costs                            | 462         | -           |
| Proceeds from other financial assets                              | 16          | 3           |
| Distribution from associate on sale of hotel                      | 17          | -           |
| Tax paid on disposals   | (5)         | (2)         |
|   | <hr/>       | <hr/>       |
| Net cash from investing activities                                | 282         | (44)        |
|   | <hr/>       | <hr/>       |
| Cash flow from financing activities                               |             |             |
| Proceeds from the issue of share capital                          | 4           | 7           |
| Purchase of own shares  | (127)       | -           |
| Purchase of own shares by employee share trusts                   | (32)        | (45)        |
| Dividends paid to shareholders                                    | (115)       | (113)       |
| Dividends paid to non-controlling interests                       | (1)         | -           |
| Decrease in other borrowings                                      | (1)         | (99)        |
|   | <hr/>       | <hr/>       |
| Net cash from financing activities                                | (272)       | (250)       |
|   | <hr/>       | <hr/>       |
| Net movement in cash and cash equivalents in the period           | 236         | (113)       |
| Cash and cash equivalents at beginning of the period              | 195         | 182         |
| Exchange rate effects   | (35)        | 1           |
|   | <hr/>       | <hr/>       |
| Cash and cash equivalents at end of the period                    | 396         | 70          |
|   | <hr/> <hr/> | <hr/> <hr/> |

\* Restated for the adoption of IAS19R 'Employee Benefits' (see note 1)

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 Conduct 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 2012.

With effect from 1 January 2013, the Group has adopted IAS 19 (Revised) 'Employee Benefits' which introduces a number of changes to accounting for defined benefit plans, including the removal of expected returns on plan assets from the income statement. Instead, there is a requirement to recognise interest on the net defined benefit asset/liability (after any asset restrictions), calculated using the discount rate used to measure the defined benefit obligation. This change in accounting policy has required restatements of the Group income statement, Group statement of comprehensive income and Group statement of cash flows for the six months ended 30 June 2012, resulting in an additional charge to operating profit of \$5m with an equivalent reduction in actuarial losses in other comprehensive income. The tax impacts of the adjustments are a \$1m credit to the income statement with an equivalent charge against the reduced actuarial losses. Basic, diluted, adjusted and adjusted diluted earnings per share are reduced by 1.4, 1.3, 1.3 and 1.4 cents respectively. There has been no change to previously reported retained earnings or balance sheet amounts.

The Group has also adopted IAS 1 (Amendment) 'Presentation of Items of Other Comprehensive Income', which changes the grouping of items presented in the Groups statement of comprehensive income so that items which may be reclassified to profit or loss in the future are presented separately from items that will never be reclassified. The amendment affects presentation only and has had no impact on the Group's financial position or performance.

In addition, with effect from 1 January 2013, the Group has implemented IAS 28 (Amendment) 'Investments in Associates and Joint Ventures', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurement'. The adoption of these standards has had no material impact on the Group's financial performance or position and there has been no requirement to restate prior year comparatives. IFRS 13 introduces new disclosure requirements for interim financial statements and these are provided in note 10.

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 2012 has been extracted from the Group's published financial statements for that year which were prepared in accordance with IFRSs as adopted by the European Union and contain an unqualified audit report and which have been filed with the Registrar of Companies.

## 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 is \$1= £0.65 (2012 \$1=£0.63). In the case of the euro, the translation rate is \$1 = €0.76 (2012 \$1 = €0.77).

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=£0.66 (2012 30 June \$1 = £0.64; 31 December \$1 = £0.62). In the case of the euro, the translation rate is \$1 = €0.77 (2012 30 June \$1 = €0.79; 31 December \$1 = €0.76).

## 3. Segmental information

| Revenue       | 2013<br>6 months ended<br>30 June<br>\$m | 2012<br>6 months ended<br>30 June<br>\$m |
|---------------|--|--|
| Americas      | 457                                      | 400                                      |
| Europe        | 206                                      | 206                                      |
| AMEA          | 102                                      | 108                                      |
| Greater China | 112                                      | 108                                      |
| Central       | 59                                       | 56                                       |
| Total revenue | <u>936</u>                               | <u>878</u>                               |
|               | =====                                    | =====                                    |

All results relate to continuing operations.

| Profit        | 2013<br>6 months ended<br>30 June<br>\$m | 2012<br>6 months ended<br>30 June<br>(restated*)<br>\$m |
|---------------|--|---|
| Americas      | 282                                      | 233   |
| Europe        | 53                                       | 50  |
| AMEA          | 41                                       | 40  |
| Greater China | 36                                       | 36  |
| Central       | (74)                                     | (78)  |

|                                       |            |            |
|---------------------------------------|------------|------------|
| Reportable segments' operating profit | 338        | 281        |
| Exceptional operating items (note 4)  | 160        | 23         |
| Operating profit                      | <u>498</u> | <u>304</u> |
| Financial income                      | 3          | 2          |
| Financial expenses                    | (39)       | (27)       |
| Profit before tax                     | <u>462</u> | <u>279</u> |
|                                       | =====      | =====      |

All results relate to continuing operations.

\* Restated for the adoption of IAS19R 'Employee Benefits' (see note 1).

| Assets                           | 2013<br>30 June<br>\$m | 2012<br>30 June<br>\$m | 2012<br>31 December<br>\$m |
|----------------------------------|------------------------|------------------------|----------------------------|
| Americas                         | 1,104                  | 988                    | 957                        |
| Europe                           | 638                    | 828                    | 928                        |
| AMEA                             | 265                    | 279                    | 282                        |
| Greater China                    | 383                    | 390                    | 390                        |
| Central                          | 358                    | 238                    | 250                        |
| Segment assets                   | <u>2,748</u>           | <u>2,723</u>           | <u>2,807</u>               |
| Unallocated assets:              |                        |                        |                            |
| Non-current tax receivable       | 23                     | 42                     | 24                         |
| Deferred tax assets              | 161                    | 145                    | 204                        |
| Current tax receivable           | 4                      | 4                      | 31                         |
| Derivative financial instruments | -                      | -                      | 2                          |
| Cash and cash equivalents        | 396                    | 70                     | 195                        |
| Total assets                     | <u>3,332</u>           | <u>2,984</u>           | <u>3,263</u>               |
|                                  | =====                  | =====                  | =====                      |

#### 4. Exceptional items

|                                    | 2013<br>6 months<br>ended<br>30 June<br>\$m | 2012<br>6 months<br>ended<br>30 June<br>\$m |
|------------------------------------|---|---|
| Continuing operations:             |   |   |
| Exceptional operating items        |   |   |
| Administrative expenses:           |   |   |
| Litigation (a)                     | (10)  | -   |
| Loyalty programme rebranding costs | (3)   | -   |

|     |  |             |           |
|-----|--|-------------|-----------|
|     |  | (13)        | -         |
|     | Share of profits of associates and joint ventures: |             |           |
|     | Share of gain on disposal of a hotel (b)           | 7           | -         |
|     | Other operating income and expenses:               |             |           |
|     | Gain on disposal of a hotel (c)                    | 166         | -         |
|     | Impairment:  |             |           |
|     | Reversals of previously recorded impairment:       |             |           |
|     | Property, plant and equipment (d)                  | -           | 23        |
|     |  | <u>160</u>  | <u>23</u> |
|     |  | =====       | =====     |
| Tax |  |             |           |
|     | Tax on exceptional operating items                 | (10)        | (13)      |
|     | Exceptional tax (e)                                | (18)        | 79        |
|     |  | <u>(28)</u> | <u>66</u> |
|     |  | =====       | =====     |

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

- a) Relates to an agreed settlement in respect of a lawsuit filed against the Group.
- b) Relates to the sale of a hotel by an associate in the Americas region.
- c) Relates to the sale of the InterContinental London Park Lane.
- d) Related to the reversal of a previously recorded impairment charge on a North American hotel.
- e) In 2013 represents, primarily, deferred tax related to the expected repatriation of earnings consequential upon the disposal of the InterContinental London Park Lane. In 2012, represented 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 had expired, together with the recognition of deferred tax assets as a result of the associated reduction in future uncertainty as to their recoverability.

## 5. Tax

The tax charge on profit for the period from continuing operations, excluding the impact of exceptional items (note 4), has been calculated using a tax rate of 31% (2012 29%) analysed as follows.

|                        | 2013   | 2013 | 2013 | 2012        | 2012        | 2012        |
|------------------------|--------|------|------|-------------|-------------|-------------|
| 6 months ended 30 June | Profit | Tax  | Tax  | Profit      | Tax         | Tax         |
|                        |        |      |      | (restated*) | (restated*) | (restated*) |

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|                          | \$m        | \$m          | rate | \$m        | \$m        | rate |
|--------------------------|------------|--------------|------|------------|------------|------|
| Before exceptional items | 302        | (93)         | 31%  | 256        | (74)       | 29%  |
| Exceptional items        | 160        | (28)         |      | 23         | 66         |      |
|                          | <u>462</u> | <u>(121)</u> |      | <u>279</u> | <u>(8)</u> |      |
|                          | =====      | =====        |      | =====      | =====      |      |
| Analysed as:             |            |              |      |            |            |      |
| UK tax                   |            | (13)         |      |            | 33         |      |
| Foreign tax              |            | (108)        |      |            | (41)       |      |
|                          |            | <u>(121)</u> |      |            | <u>(8)</u> |      |
|                          |            | =====        |      |            | =====      |      |

\* Restated for the adoption of IAS19R 'Employee Benefits' (see note 1).

## 6. Earnings per ordinary share

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.

| Continuing and total operations for the six months ended 30 June | 2013  | 2012<br>(restated*) |
|--|-------|---------------------|
| Basic earnings per ordinary share                                |       |                     |
| Profit available for equity holders (\$m)                        | 340   | 271                 |
| Basic weighted average number of ordinary shares (millions)      | 266   | 290                 |
| Basic earnings per ordinary share (cents)                        | 127.8 | 93.4                |
|  | ===== | =====               |
| Diluted earnings per ordinary share                              |       |                     |
| Profit available for equity holders (\$m)                        | 340   | 271                 |
| Diluted weighted average number of ordinary shares (millions)    | 269   | 295                 |
| Diluted earnings per ordinary share (cents)                      | 126.4 | 91.9                |
|  | ===== | =====               |
| Adjusted earnings per ordinary share                             |       |                     |
| Profit available for equity holders (\$m)                        | 340   | 271                 |
| Adjusting items (note 4):  |       |                     |

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|   |            |            |
|---|------------|------------|
| Exceptional operating items (\$m)                             | (160)      | (23)       |
| Tax on exceptional operating items (\$m)                      | 10         | 13         |
| Exceptional tax (\$m)   | 18         | (79)       |
| Adjusted earnings (\$m)                                       | <u>208</u> | <u>182</u> |
| Basic weighted average number of ordinary shares (millions)   | 266        | 290        |
| Adjusted earnings per ordinary share (cents)                  | 78.2       | 62.8       |
|   | =====      | =====      |
| Diluted weighted average number of ordinary shares (millions) | 269        | 295        |
| Adjusted diluted earnings per ordinary share (cents)          | 77.3       | 61.7       |
|   | =====      | =====      |

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

|   | 2013<br>millions | 2012<br>millions |
|---|------------------|------------------|
| Basic weighted average number of ordinary shares            | 266              | 290              |
| Dilutive potential ordinary shares - employee share options | 3                | 5                |
|   | <u>269</u>       | <u>295</u>       |
|   | =====            | =====            |

\* Restated for the adoption of IAS19R 'Employee Benefits' (see note 1).

7. Dividends and shareholder returns

|                                    | 2013<br>cents per share | 2012<br>cents per share | 2013<br>\$m | 2012<br>\$m |
|------------------------------------|-------------------------|-------------------------|-------------|-------------|
| Paid during the period:            |                         |                         |             |             |
| Final (declared for previous year) | 43.0                    | 39.0                    | 115         | 113         |
|                                    | =====                   | =====                   | =====       | =====       |
| Proposed for the period:           |                         |                         |             |             |
| Interim                            | 23.0                    | 21.0                    | 61          | 61          |
|                                    | =====                   | =====                   | =====       | =====       |

Under the \$500m share buyback programme announced on 7 August 2012, 4,777,504 shares were repurchased in the six months to 30 June 2013 for a consideration of \$136m (before transaction costs), increasing the total amount repurchased to \$243m. All of the shares repurchased in 2013 were held as Treasury Shares at 30 June 2013, the cost of which has been deducted from retained earnings. There were no Treasury Shares held at 31 December 2012 or earlier.

On 6 August 2013, the Group also announced a special dividend of 133.0 cents per share amounting to approximately \$350m payable on 4 October 2013 on shares in issue on 23 August 2013.

8. Net debt

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|  | 2013<br>30 June<br>\$m | 2012<br>30 June<br>\$m | 2012<br>31 December<br>\$m |
|--|------------------------|------------------------|----------------------------|
| Cash and cash equivalents                | 396                    | 70                     | 195                        |
| Loans and other borrowings - current     | (16)                   | (21)                   | (16)                       |
| Loans and other borrowings - non-current | (1,206)                | (588)                  | (1,242)                    |
| Derivatives hedging debt values*         | (35)                   | (25)                   | (11)                       |
| Net debt                                 | <u>(861)</u>           | <u>(564)</u>           | <u>(1,074)</u>             |
| Finance lease liability included above   | <u>(213)</u>           | <u>(210)</u>           | <u>(212)</u>               |

\* 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.

9. Movement in net debt

|   | 2013<br>6 months ended<br>30 June<br>\$m | 2012<br>6 months ended<br>30 June<br>\$m | 2012<br>12 months<br>ended<br>31 December<br>\$m |
|---|--|--|--|
| Net increase/(decrease) in cash and cash equivalents            | 236                                      | (113)                                    | 15   |
| Add back cash flows in respect of other components of net debt: |  |  |  |
| Issue of long-term bonds  | -  | -  | (632)  |
| Decrease in other borrowings                                    | 1  | 99                                       | 99   |
| Decrease/(increase) in net debt arising from cash flows         | <u>237</u>                               | <u>(14)</u>                              | <u>(518)</u>                                     |
| Non-cash movements:   |  |  |  |
| Finance lease liability   | (2)                                      | (1)                                      | (3)  |
| Exchange and other adjustments                                  | (22)                                     | (11)                                     | (15)   |
| Decrease/(increase) in net debt                                 | <u>213</u>                               | <u>(26)</u>                              | <u>(536)</u>                                     |
| Net debt at beginning of the period                             | (1,074)                                  | (538)                                    | (538)  |
| Net debt at end of the period                                   | <u>(861)</u>                             | <u>(564)</u>                             | <u>(1,074)</u>                                   |

## 10. Fair values

10. The table below compares carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2013:

|                                      | Carrying value<br>\$m | Fair value<br>\$m |
|--------------------------------------|-----------------------|-------------------|
| Financial assets:                    |                       |                   |
| Equity securities available-for-sale | 120                   | 120               |
| Loans and receivables                | 145                   | 145               |
|                                      | <u>265</u>            | <u>265</u>        |
|                                      | =====                 | =====             |
| Financial liabilities:               |                       |                   |
| £250m 6% bonds 2016                  | (391)                 | (429)             |
| £400m 3.875% bonds 2022              | (614)                 | (601)             |
| Finance lease obligations            | (213)                 | (246)             |
| Derivative financial instruments     | (42)                  | (42)              |
| Other                                | (4)                   | (4)               |
|                                      | <u>(1,264)</u>        | <u>(1,322)</u>    |
|                                      | =====                 | =====             |

10.

Equity securities available-for-sale and derivatives are held in the Group statement of financial position at fair value as set out below. The fair value of loans and receivables approximates book value based on prevailing market rates. The fair value of the £250m and £400m bonds is based on their quoted market price. The fair value of finance lease obligations is calculated by discounting future cash flows at prevailing interest rates.

The Group uses the following valuation hierarchy to classify the carrying value of financial instruments that are measured at fair value;

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

|                                      | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | 2013<br>30 June<br>Total<br>\$m |
|--------------------------------------|----------------|----------------|----------------|---------------------------------|
| Assets                               |                |                |                |                                 |
| Equity securities available-for-sale | 8              | -              | 112            | 120                             |

|                                  |   |      |   |      |
|----------------------------------|---|------|---|------|
| Liabilities                      |   |      |   |      |
| Derivative financial instruments | - | (42) | - | (42) |

The Level 2 derivative financial instruments consist of currency swaps which are valued using data from observable swap curves, adjusted to take account of the Group's own credit risk.

The Level 3 equity securities relate to investments in unlisted shares which are valued either by applying an average price-earnings (P/E) ratio for a competitor group to the earnings generated by the investment, or by reference to share of net assets. The average P/E ratio used for the period was 19.7 and a non-marketability factor of 30% is applied.

A 10% increase in the average P/E ratio would result in a \$4m increase in the fair value of the investments and a 10% decrease in the average P/E ratio would result in a \$4m decrease in the fair value of the investments. A 10% increase in net assets would result in a \$5m increase in the fair value of investments and a 10% decrease in net assets would result in a \$5m decrease in the fair value of the investments.

There were no transfers between Level 1 and Level 2 fair value measurements during the period and no transfers into and out of Level 3.

The following table reconciles movements in instruments classified as Level 3 during the period:

|  | 2013<br>30 June<br>\$m |
|--|------------------------|
| At 1 January 2013  | 94                     |
| Additions  | 7                      |
| Valuation gains recognised in other comprehensive income | 11                     |
| At 30 June 2013  | <u>112</u><br>=====    |

## 11. Commitments and contingencies

At 30 June 2013, the amount contracted for but not provided for in the financial statements for expenditure on property, plant and equipment and intangible assets was \$63m (2012 31 December \$81m; 30 June \$32m). The Group has also committed to invest up to \$60m in two investments accounted for under the equity method of which \$43m had been spent at 30 June 2013.

At 30 June 2013, the Group had contingent liabilities of \$2m (2012 31 December \$1m; 30 June \$5m).

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management contracts. The maximum unprovided exposure under such guarantees is \$47m (2012 31 December \$50m; 30 June \$34m).

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. In particular, the Group is currently subject to an Office of Fair Trading enquiry in the UK and class action law suits in the US. 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, it is not possible to quantify any loss to which these proceedings or claims under these warranties may give rise, however, as at the date of reporting, the Group does not believe that the outcome of these matters will have a material effect on the Group's financial position.

## 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 half-yearly financial report for the six months ended 30 June 2013 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 11. We have read the other information contained in the half-yearly 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct 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 half-yearly 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 half-yearly 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 half-yearly financial report for the six months ended 30 June 2013 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 Conduct Authority.

Ernst & Young LLP  
London  
5 August 2013

## 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: 6 August 2013

