INTERCONTINENTAL HOTELS GROUP PLC /NEW/
Form 20-F
March 29, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-10409

InterContinental Hotels Group PLC

(Exact name of registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

Broadwater Park,

Denham, Buckinghamshire UB9 5HR

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Ordinary Shares of 13 29/47 pence each	New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares of 13 29/47 pence each	**290,548,089**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes ¨ No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ¨ Item 18þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ¨ No þ

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ¨	International Reporting Standards as issued by the International Standards Accounting Board þ	Other ¨

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INTRODUCTION

As used in this document, except as the context otherwise requires, the terms:

ADR refers to an American Depositary Receipt, being a receipt evidencing title to an ADS;

ADS refers to an American Depositary Share, being a registered negotiable security, listed on the New York Stock Exchange, representing one InterContinental Hotels Group PLC ordinary share of 13 $^{29}/47$ pence each;

AMEA refers to Asia, the Middle East and Africa;

Board refers to the Board of directors of InterContinental Hotels Group PLC or, where appropriate, the Boards of directors of InterContinental Hotels Limited or Six Continents Limited;

Britvic refers to Britannia Soft Drinks Limited for the period up to November 18, 2005, and thereafter, Britannia SD Holdings Limited (renamed Britvic plc on November 21, 2005) which became the holding company of the Britvic Group on November 18, 2005;

Britvic Group refers to Britvic and its subsidiaries;

Company refers to InterContinental Hotels Group PLC, InterContinental Hotels Limited or Six Continents Limited or their respective Board of directors as the context requires;

EMEA refers to Europe, the Middle East and Africa;

Group refers to InterContinental Hotels Group PLC and its subsidiaries or, where appropriate, InterContinental Hotels Limited or Six Continents Limited and their subsidiaries as the context requires;

Hotels refers to the hotels business of the Group;

IHG refers to InterContinental Hotels Group PLC or, where appropriate, its Board of directors;

IHL refers to InterContinental Hotels Limited, previously InterContinental Hotels Group PLC, former parent company of the Group and re-registered as a private limited company on June 27, 2005;

ordinary share or share refers, before April 14, 2003, to the ordinary shares of 28 pence each in Six Continents Limited; following that date and until December 10, 2004 to the ordinary shares of £1 each in IHL; following that date and until June 27, 2005 to the ordinary shares of 112 pence each in IHL; following that date and until June 12, 2006 to the ordinary shares of 10 pence each in IHG; following that date until June 4, 2007 to the ordinary shares of 11 $^{3}/7$ pence each in IHG; and following June 4, 2007 to the ordinary shares of

13 ^{29}/47 pence each in IHG;

Six Continents refers to Six Continents Limited; previously Six Continents PLC and re-registered as a private limited company on June 6, 2005;

Soft Drinks refers to the soft drinks business of InterContinental Hotels Group PLC, which the Company had through its controlling interest in Britvic and which the Company disposed of by way of an initial public offering effective December 14, 2005; and

VAT refers to UK value added tax levied by HM Revenue and Customs on certain goods and services.

The following are some of the service marks owned by the InterContinental Hotels Group companies: IHG®, INTERCONTINENTAL®, INTERCONTINENTAL ALLIANCE®, HUALUXE, CROWNE PLAZA®, HOTEL INDIGO®, EVEN, HOLIDAY INN®, HOLIDAY INN EXPRESS®, HOLIDAY INN RESORTS®, HOLIDAY INN CLUB VACATIONS®, STAYBRIDGE SUITES®, CANDLEWOOD SUITES®, PRIORITY CLUB®, HOLIDEX®, and GREEN ENGAGE®.

References in this document to the Companies Act mean the Companies Act 2006 of Great Britain; references to the EU mean the European Union; references in this document to UK refer to the United Kingdom of Great Britain and Northern Ireland; references to US refer to the United States of America.

The Company publishes its Consolidated Financial Statements expressed in US dollars.

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In this document, references to US dollars , US$, $ or ¢ are to United States currency, references to euro or are to the euro, the currency European Economic and Monetary Union, references to pounds sterling , sterling , £ , pence or p are to UK currency. Solely for convenience, Annual Report on Form 20-F contains translations of certain pound sterling amounts into US dollars at specified rates. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rates indicated. The noon buying rate in The City of New York for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York on March 21, 2012 was £1.00 = $1.5848. For further information on exchange rates please refer to page F-23.

The Company s fiscal year ends on December 31. The December 31 fiscal year end is in line with the calendar accounting year ends of the majority of comparable US and European hotel companies. IHG will continue to report on a December 31 fiscal year-end basis, as the Group believes this facilitates more meaningful comparisons with other key participants in the industry. References in this document to a particular year are to the fiscal year unless otherwise indicated. For example, references to the year ended December 31, 2011 are shown as 2011 and references to the year ended December 31, 2010 are shown as 2010, unless otherwise specified, and references to other fiscal years are shown in a similar manner.

The Company s Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with IFRS as adopted by the European Union (EU). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Group s Consolidated Financial Statements for the years presented.

As explained in Note 2 of Notes to the Consolidated Financial Statements an internal reorganization during 2011 resulted in a change to the Group s reportable segments. Comparatives have been restated to show the segmental information on a consistent basis.

In keeping with UK practice IHG believes that the reporting of profit and earnings measures before exceptional items provides additional meaningful information on underlying returns and trends to shareholders. The Group s key performance indicators used in budgets, monthly reporting, forecasts, long-term planning and incentive plans for internal financial reporting focus primarily on profit and earnings measures before exceptional items. Throughout this document earnings per ordinary share is also calculated excluding the effect of all exceptional operating items, exceptional interest, exceptional tax and gain on disposal of assets and is referred to as adjusted earnings per ordinary share.

The Company furnishes JPMorgan Chase Bank, N.A., as Depositary, with annual reports containing Consolidated Financial Statements and an independent auditor s opinion thereon. These Consolidated Financial Statements are prepared on the basis of IFRS. The Company also furnishes to the Depositary all notices of shareholders meetings and other reports and communications that are made generally available to shareholders of the Company. The Depositary makes such notices, reports and communications available for inspection by registered holders of ADRs and mails to all registered holders of ADRs voting instruction cards with specific reference to the section of the Company s website on which such notices, reports and communications can be viewed. During 2011, the Company reported interim financial information at June 30, 2011 in accordance with the Listing Rules of the UK Listing Authority. In addition, it provided quarterly financial information at March 31, 2011 and at September 30, 2011 and intends to continue to provide quarterly financial information during fiscal 2012. The Consolidated Financial Statements may be found on the Company s website at www.ihgplc.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 20-F contains certain forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934 with respect to the financial condition, results of operations and business of InterContinental Hotels Group and certain plans and objectives of the Board of Directors of InterContinental Hotels Group PLC with respect thereto. These forward-looking statements can be identified by the fact that they

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do not relate only 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. These statements are based on assumptions and assessments made by InterContinental Hotels Group s management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

Such statements in the Form 20-F include, but are not limited to, statements under the following headings; (i) Item 4. Information on the Company ; (ii) Item 5. Operating and financial review and prospects ; (iii) Item 8. Financial information ; and (iv) Item 11. Quantitative and qualitative disclosures about market risk . Specific risks faced by the Company are described under Item 3. Key information Risk factors commencing on page 7.

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, including, but not limited to: the risks of political and economic developments; the risk of events that adversely impact domestic or international travel; the risks of the hotel industry supply and demand cycle; the risks related to identifying, securing and retaining franchise and management agreements; risks in relation to changing technology and systems; the risks associated with the Group s reliance on the reputation of its brands and the protection of its intellectual property rights; the need to find people with the right skills and capability to manage growth and change; the risks of the Group s reliance upon its proprietary reservations system and exposure to the risk of failures in the system and increased competition in reservations infrastructure; the risks related to information security; the risks associated with the Group s financial stability and its ability to borrow and satisfy debt covenants; the risks of non-compliance with existing and changing regulations across numerous countries, territories and jurisdictions; the risk of litigation; the risks related to corporate responsibility; the funding risks in relation to the defined benefits under the Group s pension plans and the risks associated with difficulties the Group may face in insuring its business.

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PART I

ITEM 1. ***IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS***

Not applicable.

ITEM 2. ***OFFER STATISTICS AND EXPECTED TIMETABLE***

Not applicable.

ITEM 3. ***KEY INFORMATION***

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Summary

The selected consolidated financial data set forth below for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with IFRS as adopted by the European Union (EU), and is derived from the Consolidated Financial Statements of the Group which have been audited by its independent registered public accounting firm, Ernst & Young LLP.

IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Group s Consolidated Financial Statements for the years presented. The selected consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report.

For the years ended December 31, 2011 and 2010, the selected consolidated financial data differs from the consolidated financial statements issued to UK listing authorities as explained in Note 1 of Notes to the Consolidated Financial Statements.

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Consolidated Income Statement Data

	Year ended December 31,				
	2011	2010	2009	2008	2007
	($ million, except earnings per ordinary share)				
Revenue:					
Continuing operations	1,768	1,628	1,538	1,897	1,817
Discontinued operations					33
	1,768	1,628	1,538	1,897	1,850
Total operating profit before exceptional operating items:					
Continuing operations	559	444	363	549	488
Discontinued operations					3
	559	444	363	549	491
Exceptional operating items:					
Continuing operations	57	(7)	(373)	(132)	60
Discontinued operations					
	57	(7)	(373)	(132)	60
Total operating profit/(loss):					
Continuing operations	616	437	(10)	417	548
Discontinued operations					3
	616	437	(10)	417	551
Financial income	2	2	3	12	18
Financial expenses	(64)	(64)	(57)	(113)	(108)
Profit/(loss) before tax	554	375	(64)	316	461
Tax:					
On profit before exceptional items	(120)	(98)	(15)	(101)	(90)
On exceptional operating items	(4)	1	112	17	
Exceptional tax credit	43		175	25	60
	(81)	(97)	272	(59)	(30)
Profit after tax	473	278	208	257	431
Gain on disposal of discontinued operations, net of tax		2	6	5	32
Profit for the year	473	280	214	262	463
Attributable to:					
Equity holders of the parent	473	280	213	262	463
Non-controlling interest			1		
Profit for the year	473	280	214	262	463
Earnings per ordinary share:					
Continuing operations:					

Basic	163.7¢	96.5¢	72.6¢	89.5¢	134.1¢
Diluted	159.8¢	93.9¢	70.2¢	86.8¢	130.4¢
Total operations:					
Basic	163.7¢	97.2¢	74.7¢	91.3¢	144.7¢
Diluted	159.8¢	94.6¢	72.2¢	88.5¢	140.7¢

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Consolidated Statement of Financial Position Data

	At December 31, 2011	2010	2009	2008	2007
	($ million, except number of shares)				
Goodwill and intangible assets	400	358	356	445	556
Property, plant and equipment	1,362	1,690	1,836	1,684	1,934
Investments and other financial assets	243	178	175	195	253
Retirement benefit assets	21	5	12	40	49
Non-current tax receivable	41				
Deferred tax assets	106	88	95		
Current assets	578	466	419	544	710
Non-current assets classified as held for sale	217			210	115
Total assets	2,968	2,785	2,893	3,118	3,617
Current liabilities	860	943	1,040	1,141	1,226
Long-term debt	670	776	1,016	1,334	1,748
Net assets	555	278	156	1	98
Equity share capital	162	155	142	118	163
IHG shareholders equity	547	271	149	(6)	92
Number of shares in issue at period end (millions)	290	289	287	286	295

Dividends

InterContinental Hotels Group PLC paid an interim dividend of 16.0 cents per ADS (equivalent to 9.8 pence per share at the closing exchange rate of August 5, 2011) on October 7, 2011. The IHG Board has proposed a final dividend of 39.0 cents per ADS (equivalent to 24.7 pence per share at the closing exchange rate on February 10, 2012), payable on June 1, 2012, if approved by shareholders at the Annual General Meeting to be held on May 25, 2012, bringing the total IHG dividend for the year ended December 31, 2011 to 55.0 cents per ADS (equivalent to 34.5 pence per share).

The table below sets forth the amounts of interim, final and total dividends on each ordinary share in respect of each fiscal year indicated. Comparative dividends per share have been restated using the aggregate of the weighted average number of shares of InterContinental Hotels Group PLC. For the purposes of showing the dollar amount per ADS in respect of the interim and final dividends for 2007, such amount was translated into US dollars per ADS at the Noon Buying Rate on the UK payment date. In respect of the interim and final dividends for each of 2008, 2009, 2010 and 2011 such amounts are translated from US dollars into GBP at the prevailing exchange rate immediately prior to their announcement.

Ordinary dividend

	Pence per ordinary share			Cents per ADS		
	Interim	Final	Total	Interim	Final	Total
Year ended December 31,						
2007	5.70	14.90	20.60	11.5	29.2	40.7
2008	6.40	20.20	26.60	12.2	29.2	41.4
2009	7.30	18.70	26.00	12.2	29.2	41.4
2010	8.00	22.00	30.00	12.8	35.2	48.0
2011	9.80	24.70	34.50	16.0	39.0	55.0

Special dividend

	Pence per ordinary share	Cents per ADS
June 2007	200.00	400.00

RISK FACTORS

This section describes the principal risks that could materially affect the Group s business. The factors below should be considered in connection with any financial and forward-looking information in this Form 20-F and the cautionary note regarding forward-looking statements contained on pages 2 and 3.

Global economic conditions and particularly the economic outlook for the Eurozone remain uncertain. Accordingly, capital availability remains a challenge for current and potential hotel owners particularly in developed markets. This has put added pressure on existing and potential hotel owners, impacting on the current hotel estate and the delivery and growth of potential new hotels in the Group s pipeline. The geopolitical and civil unrest in the Middle East and Northern Africa remains and as the Group continues to grow its global footprint and expand in emerging markets, the Group may be increasingly exposed to safety and security incidents and major crises.

The risks below are not the only ones that the Group faces. Some risks are not yet known to the Group and some that the Group does not currently believe to be material could later turn out to be material. All of these risks could materially affect the Group s business operations, cash flow, financial condition, turnover, profits, liquidity and/or capital reserves.

The Group is exposed to the risks of political and economic developments

The Group is exposed to political, economic and financial market developments such as recession, inflation, availability of credit and currency fluctuations that could lower revenues and reduce income. A recession reduces leisure and business travel to and from affected countries and adversely affects room rates and/or occupancy levels and other income-generating activities. This may result in deterioration of results of operations and potentially reduce the value of properties in affected economies. The owners or potential owners of hotels franchised or managed by the Group face similar risks which could adversely impact the Group s ability to retain and secure franchise or management agreements. More specifically, the Group is highly exposed to the US market and, accordingly, is particularly susceptible to adverse changes in the US economy.

The Group is exposed to the risk of events that adversely impact domestic or international travel

The room rates and occupancy levels of the Group could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, political or civil unrest, epidemics, travel-related accidents, travel-related industrial action, increased transportation and fuel costs and natural disasters, resulting in reduced worldwide travel or other local factors impacting individual hotels. A decrease in the demand for hotel rooms as a result of such events may have an adverse impact on the Group s operations and financial results. In addition, inadequate preparedness, contingency planning or recovery capability in relation to a major incident or crisis may prevent operational continuity and consequently impact the value of the brand or the reputation of the Group.

The Group is exposed to the risks of the hotel industry supply and demand cycle

The future operating results of the Group could be adversely affected by industry overcapacity (by number of rooms) and weak demand due, in part, to the cyclical nature of the hotel industry, or other differences between planning assumptions and actual operating conditions. Reductions in room rates and occupancy levels would adversely impact the results of Group operations.

The Group is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements

The Group s growth strategy depends on its success in identifying, securing and retaining franchise and management agreements. This is an inherent risk for the hotel industry and franchise business model. Competition with other hotel companies may generally reduce the number of suitable franchise, management and investment opportunities offered to the Group and increase the bargaining position of property owners seeking to become a franchisee or engage a manager. The terms of new franchise or management agreements may not be as favorable as current arrangements and the Group may not be able to renew existing arrangements on similarly favorable terms or at all.

There can also be no assurance that the Group will be able to identify, retain or add franchisees to the Group system or to secure management contracts. For example, the availability of suitable sites, market saturation, planning and other local regulations or the availability and affordability of finance may all restrict the supply of suitable hotel development opportunities under franchise or management agreements.
In connection with entering into franchise or management agreements, the Group may be required to make investments in, or guarantee the obligations of, third parties or guarantee minimum income to third parties. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with those of the Group including, for example, the unwillingness of franchisees to support brand improvement initiatives. This could result in franchisees exiting the system which would adversely impact overall system size.

In addition, changes in legislation or regulatory changes may be implemented that have the effect of favoring franchisees relative to brand owners.

The Group is exposed to inherent risks in relation to changing technology and systems

The Group is reliant upon certain technologies and systems (including IT systems) for the running of its business, particularly those which are highly integrated with business operational processes. Disruption to those technologies or systems could adversely affect the efficiency of the business, notwithstanding business continuity or disaster recovery processes. The Group may have to make substantial additional investments in new technologies or systems to remain competitive. Failing to keep pace with developments in technologies or systems may put the Group at a competitive disadvantage. The technologies or systems that the Group chooses may not be commercially successful or the technology or system strategy employed may not be sufficiently aligned with the needs of the business or responsive to changes in business strategy. As a result, the Group could lose customers, fail to attract new customers or incur substantial costs or face other losses.

The Group is reliant on the reputation of its brands and the protection of its intellectual property rights

Any event that materially damages the reputation of one or more of the Group s brands and/or fails to sustain the appeal of the Group s brands to its customers may have an adverse impact on the value of that brand and subsequent revenues from that brand or business.

In particular, where the Group is unable to enforce adherence to its safety or operating and quality standards, or the significant regulations applicable to hotel operations, pursuant to its franchise and management contracts, there may be further adverse impact upon brand reputation or customer perception and therefore the value of the Group s brands.

In addition, the value of the Group s brands is influenced by a number of other factors, some of which may be outside the Group s control, including commoditisation (whereby price and/or quality becomes relatively more important than brand identifications due, in part, to the increased prevalence of third-party intermediaries), consumer preference and perception, or other factors affecting consumers willingness to purchase goods and services.

Given the importance of brand recognition to the Group s business, the Group has invested considerable resources in protecting its intellectual property, including registration of trademarks and domain names. However, the controls and laws are variable and subject to change. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Group s brands and its ability to develop the business.

The Group requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Group must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Group s strategic business plans could be undermined by failure to build resilient corporate culture, recruit or retain key personnel, unexpected loss of key senior employees, failures in the Group s succession planning and incentive plans, or a failure to invest in the development of key skills.

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Some of the markets in which the Group operates are experiencing economic growth and the Group must compete against other companies inside and outside the hospitality industry for suitably qualified or experienced employees. Some emerging markets may not have the required local expertise to operate a hotel and may not be able to attract the right talent. Failure to attract and retain employees may threaten the success of the Group s operations in these markets. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Group risks losing accumulated knowledge if key employees leave the Group.

The Group is reliant upon its proprietary reservations system and is exposed to the risk of failures in the system and increased competition in reservations infrastructure

The value of the Group s brands is partly derived from the ability to drive reservations through its proprietary HolidexPlus reservations system, a central repository of the Group s hotel room inventories linked electronically to multiple sales channels including the Group s own websites, call centers and hotels, third-party intermediaries and travel agents.

Lack of resilience and operational availability could lead to prolonged service disruption and may result in significant business interruption and subsequent impact on revenues. Lack of investment in these systems may also result in reduced ability to compete. Additionally, failure to maintain an appropriate technology strategy and select the right technology partners could erode the Group s long-term competitiveness.

The Group is exposed to the risks related to information security

The Group is increasingly dependent upon the availability, integrity and confidentiality of information including, but not limited to, guest and employee credit card, financial and personal data, business performance and financial reporting.

The reputation and performance of the Group may be adversely affected if it fails to maintain appropriate confidentiality of information and ensure relevant controls are in place to enable the release of information only through the appropriate channels in a timely and accurate manner.

The Group is exposed to a variety of risks associated with its financial stability, ability to borrow and satisfy debt covenants

While the strategy of the Group is to extend the hotel network through activities that do not involve significant amounts of its own capital, the Group does require capital to fund some development opportunities and to maintain and improve owned hotels. The Group is reliant upon having financial strength and access to borrowing facilities to meet these expected capital requirements. The majority of the Group s borrowing facilities are only available if the financial covenants in the facilities are complied with. Non-compliance with covenants could result in the lenders demanding repayment of the funds advanced. If the Group s financial performance does not meet market expectations, it may not be able to refinance existing facilities on terms considered favourable.

The Group is required to comply with existing and changing regulations across numerous countries, territories and jurisdictions

Governmental regulations affect countless aspects of our business ranging from corporate governance, health and safety, environmental, bribery and corruption, employment law and diversity, disability access, relationships, data privacy and information protection, financial, accounting and tax. Regulatory changes may require significant changes in the way the business operates and may inhibit the strategy including the markets we operate in, brand protection, and use or transmittal of customer data. If the Group fails to comply with existing or changing regulations, the Group may be subject to fines, prosecution, loss of licence to operate or reputation damage.

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The Group is exposed to the risk of litigation

The Group could be at risk of litigation from many parties, including guests, customers, joint venture partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels it manages. Claims filed in the US may include requests for punitive damages as well as compensatory damages. Exposure to litigation or fines imposed by regulatory authorities may also affect the reputation of the Group and its brands.

The Group is exposed to risks related to corporate responsibility

The reputation of the Group and the value of its brands are influenced by a wide variety of factors, including the perception of stakeholder groups such as the communities in which the Group operates. The social and environmental impacts of business are under increasing scrutiny, and the Group is exposed to the risk of damage to its reputation if it fails to demonstrate sufficiently responsible practices, ethical behavior, or fails to comply with relevant regulatory requirements.

The Group is exposed to funding risks in relation to the defined benefits under its pension plans

The Group is required by law to maintain a minimum funding level in relation to its ongoing obligation to provide current and future pensions for members of its UK pension plans who are entitled to defined benefits. The contributions payable by the Group must be set with a view to making prudent provision for the benefits accruing under the plans of the Group.

In particular, the trustees of the Group s UK defined benefit plan may demand increases to the contribution rates relating to the funding of this plan, which would oblige relevant employers of the Group to contribute extra amounts. The trustees must consult the plan s actuary and principal employer before exercising this power. In practice, contribution rates are agreed between the Group and the trustees on actuarial advice, and are set for three-year terms. The funding implications of the last actuarial review are disclosed in Notes to the Consolidated Financial Statements on pages F-30 to F-35.

The Group may face difficulties insuring its business

Historically, the Group has maintained insurance at levels determined to be appropriate in light of the cost of cover and the risk profiles of the business in which it operates. However, forces beyond the Group s control, including market forces, may limit the scope of coverage the Group can obtain and the Group s ability to obtain coverage at reasonable rates. Other forces beyond the Group s control, such as terrorist attacks or natural disasters may be uninsurable or simply too expensive to insure. Inadequate or insufficient insurance could expose the Group to large claims or could result in the loss of capital invested in properties, as well as the anticipated future revenue from properties, and could leave the Group responsible for guarantees, debt or other financial obligations related to such properties.

ITEM 4. *INFORMATION ON THE COMPANY*

SUMMARY

Group overview

The Group is an international hotel business which owns a portfolio of established and diverse hotel brands, including InterContinental Hotels & Resorts (InterContinental), Crowne Plaza Hotels & Resorts (Crowne Plaza), Holiday Inn Hotels & Resorts (including Holiday Inn Club Vacations) (Holiday Inn), Holiday Inn Express, Staybridge Suites, Candlewood Suites and Hotel Indigo. At December 31, 2011, the Group had 4,480 franchised, managed, owned and leased hotels and 658,348 guest rooms in nearly 100 countries and territories around the world. The Group also manages the hotel loyalty program, Priority Club Rewards.

In the first quarter 2012, the Group launched two new brands. EVEN hotels is aimed at the US midscale market and HUALUXE is tailored towards Chinese guests.

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The Group s revenue and earnings are derived from hotel operations, which include franchise and other fees paid under franchise agreements, management and other fees paid under management contracts, where the Group operates third-parties hotels, and operation of the Group s owned and leased hotels.

At March 21, 2012, InterContinental Hotels Group PLC had a market capitalization of approximately £4.2 billion, and was included in the FTSE 100, a list of the 100 largest companies by market capitalization on the London Stock Exchange.

InterContinental Hotels Group PLC is the holding company for the Group. Six Continents Limited (formerly Six Continents PLC), which was formed in 1967, is the principal subsidiary company. The Company s corporate headquarters are in the United Kingdom, and the registered address is:

InterContinental Hotels Group PLC

Broadwater Park

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InterContinental Hotels Group PLC was incorporated in Great Britain on May 21, 2004 and registered in, and operates under, the laws of England and Wales. Operations undertaken in countries other than England and Wales are subject to the laws of those countries in which they reside.

Group history and developments

The Group, formerly known as Bass and, more recently, Six Continents, was historically a conglomerate operating as, among other things, a brewer, soft drinks manufacturer, hotelier, leisure operator, and restaurant, pub and bar owner. In the last several years, the Group has undergone a major transformation in its operations and organization, as a result of the Separation (as discussed below) and a number of significant disposals during this period, which has narrowed the scope of its business.

On April 15, 2003, following shareholder and regulatory approval, Six Continents PLC (as it then was) separated into two new listed groups, InterContinental Hotels Group PLC (as it then was) comprising the Hotels and Soft Drinks businesses and Mitchells & Butlers plc comprising the Retail and Standard Commercial Property Developments businesses (the Separation).

The Group disposed of its interests in the Soft Drinks business by way of an initial public offering (IPO) of Britvic, a manufacturer and distributor of soft drinks in the United Kingdom, in December 2005.

Following Separation, the Group has undertaken an asset disposal program realizing, by the end of 2010, proceeds of $5.6 billion from the sale of 185 hotels. Of these 185 hotels, 166 remained in the Group s global system through either franchise or management agreements. The asset disposal program has significantly reduced the capital requirements of the Group whilst largely retaining the hotels in the Group s system.

In 2011 the Group disposed of four hotels for total proceeds of $143 million (see below for more information).

Recent acquisitions and dispositions

During 2011, the Group disposed of the Holiday Inn Burswood in Australia for $71 million, the Hotel Indigo San Diego for $55 million and two other hotels in North America for $17 million. During 2010, the Group disposed of the Holiday Inn Lexington for $5 million and the InterContinental Buckhead, Atlanta for $105 million. During 2009, the Group disposed of the InterContinental Sao Paulo for $22 million.

The Group also divested a number of investments for total proceeds of $15 million, $17 million and $15 million in 2011, 2010 and 2009, respectively. In 2010, a loan repayment of $11 million was also received.

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Capital expenditure in 2011 totaled $194 million compared with $95 million in 2010 and $148 million in 2009. The increase in expenditure in 2011 reflects the current strategy of recycling capital to drive growth in the Group s brands. Expenditure in 2009 included the $65 million purchase of the Hotel Indigo San Diego.

At December 31, 2011 capital committed, being contracts placed for expenditure on property, plant and equipment and intangible assets not provided for in the Consolidated Financial Statements, totaled $14 million. The Group has also committed to invest up to $60 million in two joint venture arrangements of which $36 million had been spent at December 31, 2011.

On October 24, 2007 the Group announced a worldwide relaunch of its Holiday Inn brand family which is now substantially complete. In support of this relaunch, the Group made a non-recurring revenue investment of $63 million which was charged to the Consolidated income statement as an exceptional item in periods up to December 31, 2010.

Return of funds

Since March 2004, the Group has returned over £3.5 billion of funds to shareholders by way of special dividends, share repurchase programs and capital returns (see table below).

A £150 million share repurchase program was announced on February 20, 2007. During 2011 no shares were repurchased. By March 21, 2012, a total of 14.4 million shares had been repurchased under the £150 million repurchase program at an average price per share of 831 pence per share (approximately £120 million). Purchases are made under the existing authority from shareholders which will be renewed at the Company s Annual General Meeting. Any shares repurchased under these programs will be canceled.

Information relating to the purchases of equity securities can be found in Item 16E.

Return of funds program	**Timing**	**Total return**	**Returned to date**[(i)]
£501 million special dividend	Paid in December 2004	£ 501m	£ 501m
First £250 million share buyback	Completed in 2004	£ 250m	£ 250m
£996 million capital return	Paid in July 2005	£ 996m	£ 996m
Second £250 million share buyback	Completed in 2006	£ 250m	£ 250m
£497 million special dividend	Paid in June 2006	£ 497m	£ 497m
Third £250 million share buyback	Completed in 2007	£ 250m	£ 250m
£709 million special dividend	Paid in June 2007	£ 709m	£ 709m
£150 million share buyback	Deferred	£ 150m	£ 120m
Total		£ 3,603m	£ 3,573

(i) At March 21, 2012.

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SEGMENTAL INFORMATION

Geographic segmentation

Following an internal reorganization during the year, there has been a change in the Group s geographic segments as explained in Note 2 of the Notes to the Consolidated Financial Statements. Comparatives have been restated to show segmental information on a consistent basis.

The following table shows the Group s revenue and operating profit before exceptional operating items and the percentage by geographical area, for the years ended December 31, 2011, 2010 and 2009.

	Year ended December 31,		
	2011	2010	2009
		($ million)	
Revenue[1]			
Americas	830	807	772
Europe	405	326	309
AMEA	216	213	190
Greater China	205	178	143
Central[2]	112	104	124
Total	1,768	1,628	1,538
Operating profit before exceptional operating items[1][3]			
Americas	451	369	288
Europe	104	78	77
AMEA	84	82	72
Greater China	67	54	30
Central	(147)	(139)	(104)
Total	559	444	363

	Year ended December 31,		
	2011	2010	2009
		(%)	
Revenue			
Americas	47.0	49.6	50.2
Europe	22.9	20.0	20.1
AMEA	12.2	13.1	12.3
Greater China	11.6	10.9	9.3
Central	6.3	6.4	8.1
Total	100.0	100.0	100.0
Operating profit before exceptional operating items			
Americas	80.7	83.1	79.3
Europe	18.6	17.6	21.2
AMEA	15.0	18.5	19.8
Greater China	12.0	12.1	8.3
Central	(26.3)	(31.3)	(28.6)
Total	100.0	100.0	100.0

(1) The results of operations have been translated into US dollars at the average rates of exchange for the year. In the case of sterling, the translation rate is $1 = £0.62 (2010 $1 = £0.65, 2009 $1 = £0.64). In the case of the euro, the translation rate is $1 = 0.72 (2010 $1 = 0.76, 2009 $1 = 0.72).

(2) Central revenue primarily relates to Holidex (the Group s proprietary reservation system) fee income. Central operating profit includes central revenue less costs related to global functions.

(3) Operating profit before exceptional operating items does not include exceptional operating items for all periods presented. Exceptional operating items (charge unless otherwise noted) by region were the Americas credit of $35 million (2010 $8 million, 2009 $301 million); Europe $39 million (2010 $5 million, 2009 $22 million); AMEA credit of $26 million (2010 credit of $6 million, 2009 $7 million); Greater China $nil (2010 $nil, 2009 $nil); and Central credit of $35 million (2010 $nil, 2009 $43 million).

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BUSINESS OVERVIEW

The Group is an international hotel business which owns a portfolio of established and diverse hotel brands, including InterContinental Hotels & Resorts, Crowne Plaza Hotels & Resorts, Holiday Inn Hotels & Resorts (including Holiday Inn Club Vacations), Holiday Inn Express, Staybridge Suites Candlewood Suites and Hotel Indigo. At December 31, 2011, the Group had 4,480 franchised, managed, owned and leased hotels and 658,348 guest rooms in nearly 100 countries and territories around the world. The Group also manages the hotel loyalty program, Priority Club Rewards.

In the first quarter 2012, the Group launched two new brands. EVEN hotels is aimed at the US midscale market and HUALUXE is tailored towards Chinese guests.

Industry overview

The hotel industry demonstrated its resilience in the challenging 12 months ended December 31, 2011 by continuing the recovery started during 2010. Globally, industry revenue per available room (RevPAR), a key industry metric, was up 5.9%, driven primarily by pricing, or average daily rate. In addition, global room demand surpassed its previous peak and is now at a new high, most notably in the United States, the largest lodging market in the world.

The Group performed well over the year with global RevPAR growth of 6.2% (comparable hotels), maintaining the Group s 2010 performance. Our number of open hotel rooms grew to 658,348, with 241 new hotels opening worldwide, taking into account the removal of terminated contracts.

The Group closely monitors markets across the globe, and follows key industry and business metrics, such as RevPAR, average daily rate, demand and gross domestic product (GDP), to ensure its strategy continues to be sustainable in the changing business environment and suitable for the Group s capabilities, and as such the business remains resilient.

The global hotel market is estimated to be close to 20 million rooms and leading research (Smith Travel Research) calculates there are seven million branded hotel rooms globally, with the remainder a combination of independent hotels, guesthouses and other types of lodging. For four years, the Group has held the largest share of branded rooms, currently at approximately 9% of supply, distributed across nearly 100 countries and territories.

The growth of the branded hotel sector has exceeded that of the unbranded sector over the past 10 years, and although currently less than half of all hotel rooms are branded, the benefits of a brand, such as the greater security and performance of a global reservation system, loyalty schemes and international networks, are clear to many owners. The Group is therefore well-positioned to win the business of owners seeking to grow with a hotel brand. Additionally, IHG and other large hotel companies have the competitive advantage of a global portfolio of brands that suit the different real estate or market opportunities an owner may have.

The Group continues to grow rooms supply and revenues, aided by wider trends:

Global economic trends we expect 2011 s modest economic growth to continue into 2012. Countries in or highly connected to the Eurozone face an uncertain short-term outlook and are likely to see stagnant or negative GDP growth, depending on the outcome of the sovereign debt crisis. However, the Group is not significantly exposed to this region. Less than 10% of the Group s operating profit before central overheads is euro denominated and the only significant asset in the region is the InterContinental Paris Le Grand which is partly hedged from a balance sheet perspective. The Group is not dependent on euro liquidity and none of the banks in the Group s main bank loan facility are based in the Eurozone. Many other developed and major emerging markets are expected to experience modest growth. GDP is a leading indicator for key industry metrics and our expertise combined with consensus opinion for long-term GDP trends allow us to prepare better the business for fluctuations in demand; and

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Change in demographics as developed market populations age, increased leisure time suggests positive implications for travel and hotel demand. Conversely, younger generations are looking to balance work and lifestyles better, indicating an increasing need for quality hotel options. In advanced developing markets, an emerging middle class presents consumer and branded organisations with an opportunity to develop further global networks.

Our strategy

With a portfolio of preferred brands in the best developed and emerging markets, our talented people are focused on delivering Great Hotels Guests Love and executing a clear set of priorities to achieve our vision of becoming one of the great companies of the world.

Strategy is about making distinct and clear choices about where and how to compete in order to achieve a set of business goals.

In addition, an organization needs to be able to execute these choices with focus, and measure its success using a clear set of comprehensively aligned metrics.

The Group s strategy determines a set of choices to balance the quality of its hotels and the speed at which it grows. The Group s measures this through key performance indicators (KPIs) such as growing its RevPAR, its system size and its margins. In addition, the Group ensures it continues to improve employee engagement and increase the proportion of hotel room demand that it generates for its owners.

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DELIVERING THE ELEMENTS OF OUR STRATEGY

Competing with an appropriate business model

The Group s business model has a clear focus on franchising and managing hotels, rather than owning them, enabling it to grow at an accelerated pace with limited capital investment. This enables the Group to focus on building strong, preferred brands, leaving asset management and real estate to its local partners with the necessary expertise. With this asset-light approach, the Group also benefits from the reduced volatility of fee-based income streams, as compared with the ownership of assets.

A key characteristic of the franchised and managed business model is that it is highly cash generative, with a high return on capital employed. At December 31, 2011 87% of operating profit* was derived from franchised and managed operations. In some situations, IHG supports its brands by using its capital to build or support the funding of flagship assets in high demand locations. IHG plans to recycle capital by selling these assets when the time is right and to reinvest elsewhere in the business and across its portfolio. Recent examples of this include the sale of the Group s InterContinental Buckhead property in Atlanta and the Hotel Indigo San Diego, both of which are now managed by the Group under long-term management agreements.

Choosing not to own hotel assets means the focus of the Group s business is on:

- developing preferred brands that offer a unique set of guest experiences;
- building global demand delivery systems, such as the Group s branded hotel websites and call centers; and
- building relationships with existing and prospective owners who can utilize these systems to create enhanced returns.

Across the industry, hotel ownership is increasingly becoming separated from hotel operations, with hotel owners using third parties, such as the Group, to manage their hotels and run their demand delivery systems. The Group is well positioned to benefit from this trend with its focus on franchising and managing hotels within its many brands.

The key features of IHG s business model are represented in the following table and charts:

* Before regional and central overheads and exceptional items.

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Competing in the best developed and emerging markets

Globally, supply of hotel rooms has grown at approximately 3% per annum over the past five years to approximately 20 million rooms in 2011. Competition for this new rooms supply include other branded hotel companies, both large and small, international and domestic, and independently owned hotels.

Taking into account rooms supply in open hotels and those under development, we have a leadership position (ie, when taking open rooms and pipeline rooms together we are in the top 3 in that country) in 13 of the top 20 markets, globally. These markets alone account for over 80% of global lodging spend. They include large developed markets such as the US, UK and Germany, as well as emerging markets like China and India.

Key economic metrics, such as GDP and travel flows, generally indicate current and future levels of hotel demand and we continue to forecast these trends so we can focus on the largest markets. Concentrating growth in the largest markets means the Group and owners can operate more efficiently and benefit from enhanced revenues and reduced costs.

The US is the largest market for branded hotels, with 3.4 million rooms accounting for 64% of all US rooms available. The segment in the US with the greatest share is midscale, with 1.3 million branded hotel rooms, and the Group s Holiday Inn brand family, which includes Holiday Inn Express and, Holiday Inn Club Vacations, along with Holiday Inn itself, is the largest in this segment.

In China, the Group sees the greatest opportunity for growth within any single country and our strategy has been to enter the market early, to develop our relationships with key local partners and grow our presence rapidly. In a country with 0.5 million branded hotel rooms, IHG is the largest international hotel company with over 55,000 rooms across our brands and another 50,000 in the planning phase or under construction. This rapid pace of openings for the Group, which was the first international hotel chain to launch in the country, has been planned against a back-drop of increasing demand drivers for hotels, such as a large emerging middle class and growing domestic and international travel flows.

The Group is also focused on developing in large markets such as the UK and Germany, where we rank second and third, respectively. We anticipate that these markets will remain significant sources of hotel demand and seek to develop lasting relationships with owners and build our brands awareness and presence.

In certain markets, the Group is able to benefit from and maximize regional similarities and travel patterns by clustering operations and generating efficiencies. The Group s predominantly managed operations across the Middle East and Asia, which have become significant contributors to its global performance, are examples of clustering operations across multiple brands, owners and markets.

Outside the largest markets, the Group focuses on achieving presence for its brands in key gateway cities with the potential for high demand from business and leisure guests and where its brands can generate revenue premiums.

The number of hotels in planning and under construction, known in the industry as the pipeline, reflect the future supply of hotels.

During 2011, the Group opened 44,265 rooms in 26 countries and territories, and signed a further 55,424 rooms into its development pipeline across 32 countries. As part of its ongoing commitment to maintaining the quality of its brands, the Group removed 33,078 rooms during the year. As at December 31, 2011, the Group had the largest pipeline in the industry, with 180,484 rooms in 1,144 hotels across 59 countries. This represents a market share of 13% of all hotels under development, including those that are independent or unaffiliated.

* Before regional and central overheads and exceptional items.

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The Group s pipeline ensures continued growth in new and emerging markets that best suit its strengths and anticipates the future needs of customers. The Group has committed development teams across both developed and emerging markets ensuring a sizable pipeline in developing markets: during 2011 the Group opened 8,084 rooms in Greater China, representing nearly 20% of all new rooms opened by the Group across the globe.

Winning with our best in class delivery

The major benefit the Group brings to guests who stay with us, and owners who invest with us, is the extent of our hotel network and the demand we deliver through our system. Our system is the combined efforts of our scale and networks, websites, call centers, loyalty schemes and sales and marketing expertise to help guests book and stay with us, and then maintain the relationship with them after they leave. Together, these tools form one of the largest such systems in the industry and are the engine of our business, delivering on average 69% of total rooms revenue.

With continued focus on the success of this global system, we have developed best-in-class marketing and technology to support our hotels and drive incremental revenues. This extensive marketing and technology support ranges from the Stay You campaign for the Holiday Inn relaunch and the Best Price Guarantee campaign to promote booking through the Group s proprietary distribution channels, such as IHG.com and HolidayInn.com, to sophisticated technology allowing for improved targeted marketing, communications, and innovative booking technologies. During 2011, these innovations were best showcased by our leading mobile booking platforms realizing $148 million in revenues by December 31, 2011 up from $2.5 million in 2009. These mobile platforms, which are tailored to each of our brands, are supported on the major mobile device operating platforms and demonstrate the Group s efforts in anticipating how guests will interact with hotels and book rooms in the future.

Winning with our talented people and business relationships with others

The Group believes talented and passionate people at all levels of the business are a key competitive advantage to delivering Great Hotels Guests Love and enhanced shareholder returns. Part of this process is empowering our people to deliver our branded guest experience. To do this we need a culture which champions our brands and effectively articulates what our brands mean and who they are for. We have begun this with a focus on being BrandHearted . For the Group, BrandHearted is about fostering a collaborative culture to improve our brands performance by ensuring the brands are at the heart of all decision making and actions, and helping our people to bring our brands to life.

The Group recognizes that a large proportion of its staff will not come under direct IHG employment and we have initiatives in place to help our owners deliver our brands and fulfil guests needs. We have extensive induction, communication, development and recognition programs aligned under our employment brand, Room to be yourself . These programs provide a supportive environment that helps our people to be successful and realize our Vision of becoming one of the great companies of the world by delivering the right experiences to our guests through shared values and living our brands.

Our talented people create our culture, and the Group is aligned around great values which are consistently brought to life through a suite of five the Group behaviors, the Winning Ways :

- do the right thing;
- show we care;
- aim higher;
- celebrate difference; and
- work better together.

The Group maintains effective relationships across all aspects of its operations. The Group s operations are not dependent upon any single customer, supplier or hotel owner due to the breadth of its brands, market segments and geographical coverage. For example, the Group s largest third-party hotel owner controls just 2% of the Group s total room count, as at December 31, 2011.

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The Group continued to enhance relationships with suppliers and streamline its procurement processes during 2011. With a focus on sourcing high-quality goods and services at the most competitive prices and employing best-practice throughout the Group, IHG strives to ensure enhanced value for the Group, our hotel owners and shareholders.

The Group is proud of its strong and important relationship with the IHG Owners Association, the organization that represents owners of hotels under the Group s brands across the world. IHG meets with the IHG Owners Association, in large and small groups, on a regular basis and works with them to support and facilitate the continued development of the Group s brands and systems. During 2011, the combined work of the two organizations supported several enhancements to the Group s system.

Examples include:

Holiday Inn relaunch the near completion of the $1 billion global relaunch of the Holiday Inn brand family delivered through joint owner and IHG investment;

Crowne Plaza repositioning program the global repositioning of the Crowne Plaza brand launched in 2011, to bring every hotel up to a leading standard offering modern business and meetings facilities;

roomkey.com an online search engine, founded by six of the world s leading hotel companies IHG, Choice Hotels International, Hilton, Hyatt, Marriott and Wyndham Hotel Group. The site provides consumers with the ability to compare and contrast room options across multiple hotel brands, ultimately booking on a hotel s branded website; and

IHG Owners Association rebranding the rebranding of the International Association of Holiday Inns (IAHI), the Owners Association as the IHG Owners Association to reflect more accurately its representation of the portfolio of the Group s brands and demonstrate the Association s commitment to the BrandHearted journey.

Measuring our success

We have a holistic set of carefully selected KPIs to monitor our success in achieving our strategy. These are organized around the elements of our strategy: Where we compete , focusing on the appropriate business model, best developed and emerging markets and consumer segments; and How we win , focusing on our corporate priorities of preferred brands, talented people, and best in class delivery.

In particular, we use the following measures to monitor our performance:

market share by rooms supply;

pricing and revenue premiums;

system contribution the proportion of business delivered to our hotels by the Group s dedicated booking channels (our system);

employee engagement; and

responsible business practices.

These KPIs are used to measure the Group s and our peoples progress on our journey to delivering Great Hotels Guests Love and becoming one of the great companies of the world.

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Our performance against these KPIs over the 2009/2011 period is summarized in the following tables:

Where we compete

Strategic priorities	**KPIs**	**Current status and 2011 development**	**2012 priorities**
Best developed and emerging markets To accelerate profitable growth of our core business in the largest markets where presence and scale really count and also in key global gateway cities. Seeking opportunities to benefit from our scale in new business areas.	**Net rooms supply**	System size grown to 658,348 rooms; Over 90% of signings in scale markets, key global gateway cities and resort destinations; 14 signings of Hotel Indigo and Staybridge Suites outside of North America; and 241 hotels opened globally.	Accelerate growth strategies in quality locations in agreed scale markets; and continue to leverage scale.

How we win Delivering Great Hotels Guests Love

Strategic priorities	**KPIs**	**Current status and 2011 development**	**2012 priorities**
Preferred brands To operate a portfolio of preferred brands attractive to both owners and guests that have clear market positions and differentiation in the eyes of the guest.	**Global RevPAR growth/(decline)** Comparable hotels, constant US$	Near completion of Holiday Inn relaunch; launched global repositioning program for our Crowne Plaza brand; developed two new brands to further capture opportunities in North America and China; and grew our industry-leading loyalty program to 63 million members.	Build upon the success of the Holiday Inn relaunch with repositioning of Crowne Plaza; continue development of our brand portfolio with further signings of our newer brands in expanding markets; and increase the Group s business from Priority Club Rewards (PCR) members.

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Strategic priorities	KPIs	Current status and 2011 development	2012 priorities
Talented people Creating hotels that are well run, with brands brought to life by people who are proud of the work they do.	**Employee engagement scores**	Training delivered to all senior managers on brand leadership; training delivered to 60% of franchised hotels to deliver our branded guest experience; jointly hosted our global recognition event Celebrate Service week with the IHG Owners Association, with over 3,000 hotels and offices participating; and supported 49 employees from 22 countries to manage the athlete s accommodation and placed 10 people in the London Organising Committee of the Olympic Games and Paralympic Games head office roles, as part of our London 2012 Olympic and Paralympic sponsorship.	Strengthen brand capabilities, including cascading brand training to all our leaders; strengthen IHG s employment brand, particularly through the use of new media to make the Group an employer of choice; develop our talent pipeline to meet our commercial goals; and continue to develop compelling people offer to our franchisees.
Best in class delivery To generate higher returns for owners and IHG through increased revenue share, improved operating efficiency and growing margins.	**Total gross revenue** Actual US$ billion **System contribution to revenue** (reservations channels and PCR members direct to hotels) As percentage of rooms revenue	Strengthened revenue streams from mobile booking channels; established strategic industry partnership to develop roomkey.com; strengthened coverage of our global sales force; and grew our industry-leading loyalty program, contributing over $6.9 billion to global system rooms revenue.	Optimize revenue from third-party, partner and the Group s websites; strengthen global sales force effectiveness; and ensure the Group s industry-leading system of delivering demand and revenue to hotels retains competitive advantage.

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Strategic priorities	KPIs	Current status and 2011 development	2012 priorities
Responsible business To take a proactive stance and seek creative solutions through innovation and collaboration on environment and community issues, and to drive increased value for IHG, owners, guests and the communities where we operate.	**Hotels signed-up to Green Engage *** Hotels, cumulative **Pupils enrolled with IHG Academy *** Students enrolled	Exceeded our Green Engage program target to enroll 1,700 hotels; IHG Academy program expanded to every IHG operating region and participation up by 17%; and led a Cornell University study on developing an industry standard for carbon measurement.	Enroll 50% of the Group s hotels in Green Engage by the end of 2012; achieve energy savings of 6% to 10% in our owned and managed estate by end of 2012 (on a per available room night basis); continue to drive carbon strategy work to develop an industry standard for measuring carbon emission and reduction; create new opportunities for communities by growing the IHG Academy to more countries and increasing the student-base; and continue to leverage social media to drive stakeholder engagement.

* See page 39 for further details.

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Segmental Results by Activity

The following table shows the Group s continuing revenue and operating profit before exceptional operating items by activity and the percentage contribution of each activity, for the years ended December 31, 2011, 2010 and 2009.

	Year ended December 31,		
	2011	2010	2009
		($ million)	
Revenue[1]			
Americas			
Franchised	502	465	437
Managed	124	119	110
Owned and leased	204	223	225
	830	807	772
Europe			
Franchised	86	76	79
Managed	118	70	58
Owned and leased	201	180	172
	405	326	309
AMEA			
Franchised	19	15	14
Managed	151	155	134
Owned and leased	46	43	42
	216	213	190
Greater China			
Franchised	2	2	1
Managed	77	60	32
Owned and leased	126	116	110
	205	178	143
Central[2]	112	104	124
Total	1,768	1,628	1,538
Operating profit before exceptional operating items[1][3]			
Americas			
Franchised	431	392	364
Managed	52	21	(40)
Owned and leased	17	13	11
Regional overheads	(49)	(57)	(47)
	451	369	288
Europe			
Franchised	65	55	57
Managed	26	17	18

Owned and leased	49	38	31
Regional overheads	(36)	(32)	(29)
	104	78	77
AMEA			
Franchised	12	8	6
Managed	87	88	82
Owned and leased	5	4	5
Regional overheads	(20)	(18)	(21)
	84	82	72

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	Year ended December 31, 2011	2010 ($ million)	2009
Greater China			
Franchised	3	3	2
Managed	43	30	9
Owned and leased	37	33	27
Regional overheads	(16)	(12)	(8)
	67	54	30
Central[(2)]	(147)	(139)	(104)
Total	559	444	363

	Year ended December 31, 2011	2010 (%)	2009
Revenue			
Americas			
Franchised	28.4	28.6	28.4
Managed	7.0	7.3	7.2
Owned and leased	11.6	13.7	14.6
	47.0	49.6	50.2
Europe			
Franchised	4.9	4.7	5.1
Managed	6.7	4.3	3.8
Owned and leased	11.3	11.0	11.2
	22.9	20.0	20.1
AMEA			
Franchised	1.1	0.9	0.9
Managed	8.5	9.5	8.7
Owned and leased	2.6	2.7	2.7
	12.2	13.1	12.3
Greater China			
Franchised	0.1	0.1	0.1
Managed	4.4	3.7	2.1
Owned and leased	7.1	7.1	7.1
	11.6	10.9	9.3
Central	6.3	6.4	8.1
Total	100.0	100.0	100.0

Footnotes on page 25.

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	Year ended December 31, 2011	2010 (%)	2009
Operating profit before exceptional operating items			
Americas			
Franchised	77.1	88.3	100.2
Managed	9.3	4.7	(11.0)
Owned and leased	3.0	2.9	3.0
Regional overheads	(8.7)	(12.8)	(12.9)
	80.7	83.1	79.3
Europe			
Franchised	11.6	12.4	15.7
Managed	4.6	3.8	5.0
Owned and leased	8.8	8.6	8.5
Regional overheads	(6.4)	(7.2)	(8.0)
	18.6	17.6	21.2
AMEA			
Franchised	2.1	1.8	1.6
Managed	15.6	19.8	22.6
Owned and leased	0.9	0.9	1.4
Regional overheads	(3.6)	(4.0)	(5.8)
	15.0	18.5	19.8
Greater China			
Franchised	0.5	0.7	0.6
Managed	7.7	6.7	2.5
Owned and leased	6.6	7.4	7.4
Regional overheads	(2.8)	(2.7)	(2.2)
	12.0	12.1	8.3
Central	(26.3)	(31.3)	(28.6)
Total	100.0	100.0	100.0

(1) The results of operations have been translated into US dollars at the average rates of exchange for the year. In the case of sterling, the translation rate $1 = £0.62 (2010 $1 = £0.65, 2009 $1 = £0.64). In the case of the euro, the translation rate is $1 = 0.72 (2010 $1 = 0.76, 2009 $1 = 0.72).

(2) Central revenue primarily relates to Holidex (the Group s proprietary reservation system) fee income. Central operating profit includes central revenue less costs related to global functions.

(3) Operating profit before exceptional operating items does not include exceptional operating items for all periods presented. Exceptional operating items (charge unless otherwise noted) by region were the Americas credit of $35 million (2010 $8 million, 2009 $301 million); Europe $39 million (2010 $5 million, 2009 $22 million); AMEA credit of $26 million (2010 credit of $6 million, 2009 $7 million); Greater China $nil (2010 $nil, 2009 $nil); and Central credit of $35 million (2010 $nil, 2009 $43 million).

Global System

In addition to management or franchise fees, hotels within the Group s system pay cash assessments and contributions which are collected by the Group for specific use within the System Fund (the Fund). The Fund also receives proceeds from the sale of Priority Club Rewards points. The Fund is managed for the benefit of hotels in the system with the objective of driving revenues for the hotels. The Fund is used to pay for marketing, the Priority Club Rewards loyalty program and the global reservations system.

Priority Club Rewards: The Group s worldwide loyalty scheme, Priority Club Rewards, is the largest of its kind in the hotel industry. Members enjoy a variety of privileges and rewards as they stay at the Group s hotels around the world. The global system room revenue generated from Priority Club Rewards members during 2011 was $6.9 billion. Priority Club Rewards membership reached 63 million customers as at December 31, 2011, compared to 56 million as at December 31, 2010.

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Central Reservations System Technology: The Group operates the HolidexPlus reservations system. The HolidexPlus system receives reservations requests entered on terminals located at most of the Group s reservations centers, as well as from global distribution systems operated by a number of major corporations and travel agents. Where local hotel systems allow, the HolidexPlus system immediately confirms reservations or indicates alternative accommodation available within the Group s network. Confirmations are transmitted electronically to the hotel for which the reservation is made.

Reservations Call Centers: The Group operates 11 reservations call centers around the world which enable it to sell in local languages in many countries and offer a high quality service to customers.

Internet: The Group introduced electronic hotel reservations in 1995. The Internet is an important communications, branding and distribution channel for hotel sales. During 2011, 25% (24% in 2010) of global system room revenue was booked via the Internet through various branded websites, such as www.intercontinental.com and www.holidayinn.com, as well as certified third parties.

During 2011 the Group s leading mobile booking platforms realized $148 million in revenue, up from $2.5 million in 2009.

The Group has established standards for working with third-party intermediaries online travel distributors who sell or re-sell the Group s branded hotel rooms via their Internet sites. Under the standards, certified distributors are required to respect the Group s trademarks, ensure reservations are guaranteed through an automated and common confirmation process, and clearly present fees to customers.

During 2011, global system room revenue booked through the Group s global systems (which includes Priority Club Rewards members, central reservations and call centers, global distribution systems and the Internet) was 69% (68% in 2010).

Sales and Marketing

The Group targets its sales and marketing expenditure in each region on driving revenue and brand awareness or, in the case of sales investments, targeting segments such as corporate accounts, travel agencies and meeting organizers. The majority of the Group s sales and marketing expenditure is funded by contractual fees paid by most hotels in the system.

Global Brands

Brands Overview

The Group offers hotel brands that appeal to guests with different needs and tastes. This requires a portfolio of large global brands, growing alongside innovative new brands to meet the unique experiences our guests desire.

The hotel industry is usually split into segments based upon price point and consumer expectations. The Group is focused on the three segments that together generate over 90% of branded hotel revenues: midscale (broadly 3 star hotels), upscale (mostly 4 star), and luxury (5 star).

The Group operates the following brands:

	At December 31, 2011	
	Room numbers	**Hotels**
InterContinental Hotels & Resorts	57,598	169
Crowne Plaza Hotels & Resorts	105,104	387
Holiday Inn Hotels & Resorts[(1)]	228,256	1,240
Holiday Inn Express	196,666	2,114
Staybridge Suites	19,567	179
Candlewood Suites	27,500	285
Hotel Indigo	4,564	39
Other	19,093	67
Total	658,348	4,480

(1) Includes Holiday Inn Club Vacations (2,928 rooms, 7 hotels)

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To reflect emerging consumer trends the Group has developed two new brands. On February 28, 2012, the Group launched EVEN hotels aimed at the sizable US midscale market. It is the first mainstream lifestyle hotel brand focused on wellness and is designed to provide a solution for healthy minded travelers.

On March 19, 2012, the Group launched HUALUXE Hotels and Resorts specifically for the Chinese traveler. HUALUXE takes the best aspects of renowned Chinese hospitality and applies the Group s international scale, powerful systems and unparalleled insights into the Chinese market to deliver a traditional high-end consistent experience.

The first EVEN and HUALUXE hotels are expected to open in late 2013 or early 2014.

InterContinental Hotels & Resorts

	Americas	Europe	AMEA	Greater China
Average room rate $[1]	168.20	247.94	206.46	169.58
Room numbers[2]	17,598	9,664	20,425	9,911

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable InterContinental hotels.

(2) At December 31, 2011.

InterContinental Hotels & Resorts (InterContinental) is the Group s 5-star brand located in key cities and resort destinations in over 60 countries worldwide. With over 60 years of experience, our talented people, supported by outstanding facilities, help us differentiate in a competitive segment by understanding that well-traveled and affluent people want to be connected to what is special about a hotel and its destination. The brand s ethos is to empower our talented people to share their knowledge so guests further enjoy great experiences that enrich their lives, broaden their outlook, and make the most of their time with us.

InterContinental hotels are principally managed by the Group. At December 31, 2011, there were 169 InterContinental hotels which represented 9% of the Group s total hotel rooms. During 2011, six InterContinental hotels were added to the portfolio, while eight hotels were removed.

Crowne Plaza Hotels & Resorts

	Americas	Europe	AMEA	Greater China
Average room rate $[1]	105.61	133.11	141.77	95.58
Room numbers[2]	50,002	19,725	16,921	18,456

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable Crowne Plaza hotels.

(2) At December 31, 2011.

Crowne Plaza Hotels & Resorts (Crowne Plaza), in the upscale, 4 star segment, specializes in offering modern business and meeting facilities with a unique service style to provide productive and energising experiences to guests who live life to the fullest and believe travel is essential for their journey to success. The Group is committed to the sustainable evolution of each of its brands, and as such, is working hard to strengthen Crowne Plaza s position in the market over the coming years. A multi-year brand development program was announced in 2011 to reflect the commitment of IHG and owners to improve the guest experience.

The majority of Crowne Plaza hotels are operated under franchise agreements in the US and Europe, and managed in other markets by the Group. At December 31, 2011, there were 387 Crowne Plaza hotels which represented 16% of the Group s total hotel rooms. During 2011, 30 Crowne Plaza hotels were added to the portfolio, while 31 hotels were removed.

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The Holiday Inn Family of Brands

The Holiday Inn brand family comprises Holiday Inn, Holiday Inn Express and Holiday Inn Club Vacations. It is the world s largest midscale hotel brand family by number of rooms. Working together with our owners and through their continued investment, the Holiday Inn brand family has all but completed a $1 billion refresh, updating its image by upgrading facilities, service and amenities, and ensuring the brand family continues to remain competitive within its midscale markets. Holiday Inn aims to provide a welcoming experience to business and leisure travelers worldwide. These are full service hotels, providing amenities such as a restaurant and room service. Recently, J.D. Power and Associates ranked Holiday Inn Highest in Guest Satisfaction Among Midscale Full Service Hotel Chain in their 2011 North American Hotel Guest Satisfaction Index Study^{SM}. The family adds to the Group s record of firsts, being both the first international hotel chain to open in China in 1984, and to launch a direct booking website in 1995. Holiday Inn Express is one of the world s fastest growing hotel brands in its segment. Holiday Inn Express aims to provide an efficient and cost-effective experience to business and leisure travelers. These are limited service hotels offering a complimentary breakfast, but do not offer the full compliment of amenities (such as a restaurant or full service bar).

Holiday Inn Hotels & Resorts

	Americas	Europe	AMEA	Greater China
Average room rate $[1]	98.89	112.62	123.18	77.40
Room numbers[2][3]	145,821	46,465	18,032	17,938

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable Holiday Inn hotels.

(2) At December 31, 2011.

(3) The Americas total includes Holiday Inn Club Vacations (2,928 rooms).

Holiday Inn Hotels & Resorts (including Holiday Inn Club Vacations, which is the brand family s vacation ownership brand) (Holiday Inn) are predominantly operated under franchise agreements. At December 31, 2011, there were 1,240 Holiday Inn hotels which represented 35% of the Group s total hotel rooms, of which 64% were located in the Americas. During 2011, 58 Holiday Inn hotels were added to the portfolio, while 65 hotels were removed.

Holiday Inn Express

	Americas	Europe	AMEA	Greater China
Average room rate $[1]	98.65	91.48	71.10	46.77
Room numbers[2]	162,935	23,181	1,857	8,693

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable Holiday Inn Express hotels.

(2) At December 31, 2011.

Holiday Inn Express hotels are almost entirely operated under franchise agreements. At December 31, 2011, there were 2,114 Holiday Inn Express hotels worldwide which represented 30% of the Group s total hotel rooms, of which 83% were located in the Americas. During 2011, 96 new Holiday Inn Express hotels were added to the portfolio, while 57 hotels were removed.

Staybridge Suites

	Americas	Europe	AMEA
Average room rate $[(1)]	96.44	113.87	144.69
Room numbers[(2)]	18,820	443	304

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable Staybridge Suites hotels.

(2) At December 31, 2011.

Staybridge Suites is the Group s upscale extended stay brand for guests on longer trips, offering studios and suites complete with full kitchens and separate sleeping and work areas in a sociable, family-like atmosphere. It was the fastest upper-tier extended stay brand to reach the 50-hotel and 100-hotel milestones and in 2008, opened its first hotel in Europe in Liverpool, UK. Since then, Staybridge Suites has expanded its footprint with locations including Cairo and Abu Dhabi in the Middle East and most recently in St. Petersburg in Russia. Staybridge Suites is playing its role in IHG s partnership with the London 2012 Olympic and Paralympic Games by opening the Staybridge Suites London Stratford property. Located on the doorstep of the Olympic Village and at the heart of Europe s largest shopping center, this property will be one of the onsite hotels for athletes during the games.

The Staybridge Suites brand is principally operated under management contracts and franchise agreements. At December 31, 2011 there were 179 Staybridge Suites hotels, which represented 3% of the Group s total hotel rooms, of which 96% (174 hotels) were located in the Americas. During 2011, seven hotels were added to the portfolio, and 16 hotels were removed.

Candlewood Suites

	Americas
Average room rate $(1)	66.45
Room numbers(2)	27,500

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable Candlewood Suites hotels.

(2) At December 31, 2011.

Candlewood Suites, acquired by the Group in 2003, is our North American-focused midscale extended stay brand that gives its guests all the essentials they need for a home-like stay at great value. Candlewood Suites has the most properties under development in North American midscale extended stay lodging and continues to keep its look and feel fresh. During 2011, the brand began a program to develop a new and refreshed look and design to ensure its guest experience remains competitive and attractive.

The Candlewood Suites brand is operated under management contracts and franchise agreements. At December 31, 2011, there were 285 Candlewood Suites hotels, which represented 4% of the Group s total rooms, all of which were located in the Americas. During 2011, 15 hotels were added to the portfolio, and 18 hotels were removed.

Hotel Indigo

	Americas	Europe	Greater China
Average room rate $(1)	118.32	203.48	
Room numbers(2)	3,973	407	184

(1) For the year ended December 31, 2011; quoted at constant US dollar exchange rate. Average room rate is for comparable Hotel Indigo hotels.

(2) At December 31, 2011.

Hotel Indigo is the Group s boutique and youngest brand, launched in 2004, and focuses on a guest that appreciates art and design and that wants to experience something different. Hotel Indigo provides guests with the refreshing design and service experience synonymous with a boutique hotel. Each hotel is unique and reflects its local neighborhood with design elements such as murals, a vibrant color palette and locally sourced and seasonal menu items. During 2011, Hotel Indigo was awarded Highest Guest Satisfaction Among Upscale Hotel Chains in the J.D. Power and Associates 2011 North American Hotel Guest Satisfaction Index Study.

The Hotel Indigo brand is principally operated under franchise agreements. At December 31, 2011, there were 39 Hotel Indigo hotels, 33 located in the Americas. During 2011, four hotels were added to the portfolio, and three hotels were removed.

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Geographical Analysis

Although it has worldwide hotel operations, the Group is most dependent on the Americas for operating profit, reflecting the structure of the branded global hotel market. The Americas region generated 64% of the Group s operating profit before central overheads and exceptional operating items during 2011.

The geographical analysis, split by number of rooms and operating profit, is set out in the table below.

	Americas	Europe	AMEA	Greater China
		(% of total)		
Room numbers[1]	67	15	9	9
Regional operating profit (before central overheads and exceptional operating items)[2]	64	15	12	9

(1) At December 31, 2011.

(2) For the year ended December 31, 2011.

Americas

In the Americas, the largest proportion of rooms is operated under the franchise business model (90% of rooms in the Americas operate under this model) primarily in the midscale segment (Holiday Inn and Holiday Inn Express). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised, whereas the majority of the InterContinental branded hotels are operated under franchise and management agreements. With 3,473 hotels (442,198 rooms), the Americas represented 67% of the Group s room count and 64% of the Group s operating profit before central overheads and exceptional operating items during the year ended December 31, 2011. The key profit producing region is the United States, although the Group is also represented in each of Latin America, Canada, Mexico and the Caribbean.

Europe

In Europe, the largest proportion of rooms is operated under the franchise business model primarily in the midscale segment (Holiday Inn and Holiday Inn Express). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised whereas the majority of the InterContinental branded hotels are operated under management agreements. Comprising 612 hotels (99,885 rooms) at the end of 2011, Europe represented 15% of the Group s operating profit before central overheads and exceptional operating items during the year ended December 31, 2011. Profits are primarily generated from hotels in the United Kingdom and Continental European gateway cities.

AMEA

In AMEA, the largest proportion of rooms are operated under the managed business model. The majority of hotels are in the midscale and upscale segments. Comprising 228 hotels (61,083 rooms) at December 31, 2011, AMEA represents 12% of the Group s operating profit before central overheads and exceptional operating items during the year ended December 31, 2011.

Greater China

In Greater China, the largest proportion of rooms are operated under the managed business model. The majority of hotels are in the midscale and upscale segments. Comprising 167 hotels (55,182 rooms) at December 31, 2011, Greater China represents 9% of the Group s operating profit before central overheads and exceptional operating items during the year ended December 31, 2011. The Chinese tourism market continues to grow, with the country forecast to become one of the world s biggest tourist destinations within 10 years. At December 31, 2011 there were 149 hotels in development.

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The following table shows information concerning the geographical locations and ownership of the Group s hotels as at December 31, 2011.

	Franchised		Managed		Owned and leased		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Americas								
InterContinental	27	7,580	22	8,529	3	1,489	52	17,598
Crowne Plaza	176	45,719	12	4,283			188	50,002
Holiday Inn(1)	787	136,720	27	8,406	2	695	816	145,821
Holiday Inn Express	1,872	162,520	2	415			1,874	162,935
Staybridge Suites	145	15,180	28	3,528	1	112	174	18,820
Candlewood Suites	226	20,224	59	7,276			285	27,500
Hotel Indigo	30	3,458	3	515			33	3,973
Other	3	7,279	48	8,270			51	15,549
Total	3,266	398,680	201	41,222	6	2,296	3.473	442,198
Europe								
InterContinental	8	1,913	20	6,834	2	917	30	9,664
Crowne Plaza	73	16,603	13	3,122			86	19,725
Holiday Inn	224	34,510	66	11,955			290	46,465
Holiday Inn Express	197	23,063	1	118			198	23,181
Staybridge Suites	2	315	1	128			3	443
Hotel Indigo	5	407					5	407
Total	509	76,811	101	22,157	2	917	612	99,885
AMEA								
InterContinental	9	2,980	54	17,069	1	376	64	20,425
Crowne Plaza	7	1,287	54	15,634			61	16,921
Holiday Inn	20	4,060	56	13,772	1	200	77	18,032
Holiday Inn Express	8	1,857					8	1,857
Hotel Indigo			2	304			2	304
Other	10	2,433	6	1,111			16	3,544
Total	54	12,617	172	47,890	2	576	228	61,083
Greater China								
InterContinental	1	573	21	8,843	1	495	23	9,911
Crowne Plaza			52	18,456			52	18,456
Holiday Inn	1	252	56	17,686			57	17,938
Holiday Inn Express	1	138	33	8,555			34	8,693
Hotel Indigo			1	184			1	184
Total	3	963	163	53,724	1	495	167	55,182
Total								
InterContinental	45	13,046	117	41,275	7	3,277	169	57,598
Crowne Plaza	256	63,609	131	41,495			387	105,104
Holiday Inn(1)	1,032	175,542	205	51,819	3	895	1,240	228,256
Holiday Inn Express	2,078	187,578	36	9,088			2,114	196,666
Staybridge Suites	147	15,495	31	3,960	1	112	179	19,567
Candlewood Suites	226	20,224	59	7,276			285	27,500
Hotel Indigo	35	3,865	4	699			39	4,564
Other	13	9,712	54	9,381			67	19,093

Total	3,832	489,071	637	164,993	11	4,284	4,480	658,348

(1) Includes Holiday Inn Club Vacations (7 hotels, 2,928 rooms) within franchised.

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Room Count and Pipeline

During 2011, the Group s global system (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 43 hotels (11,187 rooms). Openings of 241 hotels (44,265 rooms) were driven by continued expansion in the US, in particular within the Holiday Inn brand family and Greater China. These openings offset the removal of 198 hotels (33,078 rooms). Removals in the US included 43 hotels (6,994 rooms) which were removed from the system as part of the renegotiation of the management contract with Hospitality Properties Trust, a major US owner group. Other openings included the Venetian and Palazzo resorts, under an InterContinental Alliance relationship (6,986 rooms, included in franchised) as well as 25 hotels (4,796 rooms) managed on US army bases.

At the end of 2011, the pipeline totaled 1,144 hotels (180,484 rooms). The Group s pipeline represents hotels and rooms where a contract has been signed and the appropriate fees paid. The continued global demand for the Group s brands is demonstrated by over 50% of pipeline rooms being outside of the Americas region, including 28% in Greater China.

Signings of 356 hotels (55,424 rooms) represented an increase in the number of hotels signed from 2010 levels (319 hotels). Momentum for the Hotel Indigo brand continued into 2011 with 19 signings, including entry into the Russian market, as well as the first Hotel Indigo resort in Phuket, Thailand.

During 2011, the opening of 44,265 rooms contributed to a net pipeline decline of 24,375 rooms. Active management out of the pipeline of deals that have become dormant or no longer viable resulted in a further reduction of 35,534 rooms.

There are no assurances that all of the hotels in the pipeline will open. The construction, conversion and development of hotels is dependent upon a number of factors, including meeting brand standards, obtaining the necessary permits relating to construction and operation, the cost of constructing, converting and equipping such hotels and the ability to obtain suitable financing at acceptable interest rates. The supply of capital for hotel development in the United States and major economies may not continue at previous levels and consequently the pipeline could decrease.

Americas

The Americas hotel and room count in the year increased by 15 hotels (2,823 rooms) to 3,473 hotels (442,198 rooms). Openings of 168 hotels (27,107 rooms) included the Venetian and Palazzo resorts, under an InterContinental Alliance relationship (6,986 rooms, included in franchised) and 25 hotels managed as part of the US government s Privatization of Army Lodgings initiative. The Holiday Inn and Holiday Inn Express brands generated openings of 113 hotels (12,269 rooms) and the Group s extended-stay brands, Staybridge Suites and Candlewood Suites, achieved openings of 22 hotels (2,036 rooms). Removals of 153 hotels (24,284 rooms) were mainly from Crowne Plaza and Holiday Inn hotels, and included 43 hotels (6,994 rooms) which were removed as part of the renegotiation of the management contract with Hospitality Properties Trust.

The Americas pipeline totaled 775 hotels (84,450 rooms) as at December 31, 2011. Overall signings of 30,109 rooms were in line with 2010 levels. Notable signings included Hotel Indigo properties in Guadalajara and Boca del Rio in Mexico, as well as Lower East Side, Manhattan in the US. The overall pipeline reduced by 115 hotels (18,059 rooms) compared to 2010.

Europe

During 2011, Europe hotel and room count increased by 13 hotels (a net increase of 2,236 rooms) to 612 hotels (99,885 rooms). Activity included openings of 37 hotels (6,167 rooms), an increase from 27 hotels and 4,419 rooms in 2010, and removals of 24 hotels (3,931 rooms). The net decrease of eight Holiday Inn hotels comprised nine openings and 17 removals, five of which relate to the Holiday Inn brand relaunch. There were three Hotel Indigo openings in the UK in 2011, bringing the total Hotel Indigo count for Europe to five. Two InterContinental hotels, in Moscow and Porto, opened in 2011, representing a re-entry for the brand into the Russian and Portuguese markets.

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There were 38 hotel signings (5,779 rooms) in 2011, down from 51 hotel signings (7,479 rooms) in 2010, strengthening the Group s presence in established markets such as the UK, Germany and the Netherlands and extending into newer markets such as Turkey and Russia. Demand was particularly strong in the midscale segment which represented 65% of room signings. There were five further signings for the Group s lifestyle brand, Hotel Indigo, including further expansion in the UK and entry into the Russian market. There were also seven Crowne Plaza signings including three in the developing Turkish market.

AMEA

AMEA hotel and room count decreased by seven hotels (527 rooms) to 228 hotels (61,083 rooms). Openings of 10 hotels (2,907 rooms) were offset by the removal of 17 hotels (3,434 rooms). Hotel openings were mainly in the Crowne Plaza and Holiday Inn brands, including notably the entry of the Crowne Plaza brand into the Vietnam market (in West Hanoi and Danang) and a second Holiday Inn resort in Phuket, Thailand.

Signings increased from 27 hotels (6,410 rooms) in 2010 to 36 hotels (7,424 rooms) in 2011, mainly within the Holiday Inn brand family (23 hotels or 5,037 rooms), including five Holiday Inn Express hotels as part of a deal with Duet India Hotels Group. In addition, there were three new signings for Hotel Indigo, in Jakarta and Riyadh, as well as the world s first Hotel Indigo resort in Phuket, Thailand.

Pipeline signings were offset by active management out of the pipeline of deals which were dormant or no longer viable, including a number of exits in the Middle East reflecting increased uncertainty in the region.

Greater China

Greater China hotel and room count increased by 22 hotels (6,655 rooms) to 167 hotels (55,182 rooms). Growth was driven by openings of 26 hotels (8,084 rooms), higher than in 2010 (24 hotels or 7,253 rooms). The majority of openings were in the upscale brands in 2011, including the InterContinental One Thousand Island Lake Resort which is the Group s first resort in East China, whilst there were 12 openings for the Holiday Inn brand family, including five Holiday Inn Express hotels.

The pipeline in Greater China increased by two hotels to 149 hotels. There were 38 hotels signed during 2011 (12,112 rooms) compared to 40 hotels (11,486 rooms) in 2010. Demand was strong for both upscale and midscale brands. Signings were split between 21 hotels in the upscale brands (InterContinental, Crowne Plaza and Hotel Indigo) and 17 hotels within the midscale Holiday Inn brand family (including five for the Holiday Inn Express).

Key signings include Holiday Inn in Macau with Sands China Ltd, which will be the world s largest Holiday Inn, with 1,224 rooms, and Hotel Indigo Haitang Bay, which will be the first Hotel Indigo to open in a resort location in Greater China.

	Hotels			Rooms		
Global hotel and room count at December 31,	**2011**	**2010**	**Change over 2010**	**2011**	**2010**	**Change over 2010**
Analyzed by brand:						
InterContinental	169	171	(2)	57,598	58,429	(831)
Crowne Plaza	387	388	(1)	105,104	106,155	(1,051)
Holiday Inn(1)	1,240	1,247	(7)	228,256	230,117	(1,861)
Holiday Inn Express	2,114	2,075	39	196,666	191,228	5,438
Staybridge Suites	179	188	(9)	19,567	20,762	(1,195)
Candlewood Suites	285	288	(3)	27,500	28,253	(753)
Hotel Indigo	39	38	1	4,564	4,548	16
Other	67	42	25	19,093	7,669	11,424
Total	4,480	4,437	43	658,348	647,161	11,187
Analyzed by ownership type:						
Franchised	3,832	3,783	49	489,071	479,320	9,751
Managed	637	639	(2)	164,993	162,711	2,282
Owned and leased	11	15	(4)	4,284	5,130	(846)

Total	4,480	4,437	43	658,348	647,161	11,187

(1) Includes Holiday Inn Club Vacations (7 hotels, 2,928 rooms in 2011; 2010 6 hotels, 2,892 rooms).

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Global pipeline at December 31,	Hotels 2011	2010	Change over 2010	Rooms 2011	2010	Change over 2010
Analyzed by brand:						
InterContinental	51	60	(9)	17,623	19,374	(1,751)
Crowne Plaza	108	123	(15)	34,643	38,994	(4,351)
Holiday Inn(1)	267	313	(46)	50,750	57,505	(6,755)
Holiday Inn Express	470	494	(24)	52,201	53,219	(1,018)
Staybridge Suites	95	101	(6)	10,026	10,760	(734)
Candlewood Suites	94	120	(26)	8,062	10,506	(2,444)
Hotel Indigo	59	62	(3)	7,179	7,627	(448)
Other		2	(2)		6,874	(6,874)
Total	1,144	1,275	(131)	180,484	204,859	(24,375)
Analyzed by ownership type:						
Franchised	853	970	(117)	96,513	113,940	(17,427)
Managed	291	305	(14)	83,971	90,919	(6,948)
Total	1,144	1,275	(131)	180,484	204,859	(24,375)

(1) Includes Holiday Inn Club Vacations (1 hotel, 658 rooms; 2010 nil).

Seasonality

Although the performance of individual hotels and geographic markets might be highly seasonal due to a variety of factors such as the tourist trade and local economic conditions, the geographical spread of the Group s hotels in nearly 100 countries and territories and the relative stability of the income stream from franchising and management activities, diminishes, to some extent, the effect of seasonality on the results of the Group.

Competition

The Group s hotels compete with a wide range of facilities offering various types of lodging options and related services to the public. The competition includes several large and moderate sized hotel chains offering upper, mid and lower priced accommodation and also includes independent hotels in each of these market segments, particularly outside of North America where the lodging industry is much more fragmented. Major hotel chains which compete with the Group include Marriott International, Inc., Starwood Hotels & Resorts Worldwide, Inc., Choice Hotels International, Inc., Best Western International, Inc., Hilton Hotels Corporation, Wyndham Worldwide Corporation, Four Seasons Hotels Inc. and Accor S.A. The Group also competes with non-hotel options, such as timeshare offerings and cruises.

RevPAR

The following tables present RevPAR statistics for the year ended December 31, 2011 and a comparison to 2010. RevPAR is a meaningful indicator of performance because it measures period-over-period change in rooms revenue for comparable hotels. RevPAR is calculated by dividing rooms revenue for comparable hotels by room nights available to guests for the period.

Franchised, managed, owned and leased statistics are for comparable hotels, and include only those hotels in the Group s system at December 31, 2011 and franchised, managed, owned or leased by the Group since January 1, 2010.

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The comparison with 2010 is at constant US dollar exchange rates.

	Franchised		Managed		Owned and leased	
	2011	Change vs 2010	2011	Change vs 2010	2011	Change vs 2010
Americas						
InterContinental						
Occupancy	61.5%	3.4%pts	72.2%	2.9%pts	81.3%	1.9%pts
Average daily rate	128.87	0.0%	181.49	4.3%	243.50	9.1%
RevPAR	79.27	5.9%	131.06	8.6%	197.98	11.7%
Crowne Plaza						
Occupancy	60.2%	2.1%pts	73.8%	3.2%pts		
Average daily rate	100.58	2.2%	132.52	4.0%		
RevPAR	60.57	6.0%	97.83	8.8%		
Holiday Inn						
Occupancy	60.5%	2.2%pts	72.3%	2.4%pts	74.5%	2.8%pts
Average daily rate	97.70	2.3%	113.77	6.2%	107.57	(7.4)%
RevPAR	59.12	6.3%	82.26	9.9%	80.12	(3.8)%
Holiday Inn Express						
Occupancy	64.4%	3.1%pts	78.0%	1.6%pts		
Average daily rate	98.54	2.7%	129.81	12.8%		
RevPAR	63.44	7.9%	101.20	15.2%		
Staybridge Suites						
Occupancy	72.8%	3.7%pts	77.4%	2.6%pts	79.2%	0.5%pts
Average daily rate	93.99	2.4%	102.43	4.4%	81.56	9.0%
RevPAR	68.42	8.0%	79.26	8.0%	64.60	9.6%
Candlewood Suites						
Occupancy	70.1%	4.6%pts	74.8%	2.9%pts		
Average daily rate	70.89	2.8%	59.40	4.0%		
RevPAR	49.67	10.0%	44.44	8.1%		
Hotel Indigo						
Occupancy	66.1%	5.2%pts	66.0%	0.2%pts		
Average daily rate	116.28	4.9%	130.60	7.5%		
RevPAR	76.89	13.8%	86.16	7.8%		
Other						
Occupancy			80.7%	(0.4)%pts		
Average daily rate			98.50	(1.8)%		
RevPAR			79.51	(2.2)%		

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	Franchised		Managed		Owned and leased	
	2011	Change vs 2010	2011	Change vs 2010	2011	Change vs 2010
Europe						
InterContinental						
Occupancy	60.9%	2.1%pts	64.9%	1.9%pts	81.1%	0.5%pts
Average daily rate	244.73	4.0%	209.50	5.1%	443.44	10.3%
RevPAR	148.93	7.7%	135.91	8.3%	359.67	10.9%
Crowne Plaza						
Occupancy	68.9%	2.1%pts	75.5%	(0.3)%pts		
Average daily rate	131.14	1.9%	143.74	2.7%		
RevPAR	90.40	5.1%	108.57	2.3%		
Holiday Inn						
Occupancy	66.5%	1.5%pts	73.3%	0.4%pts		
Average daily rate	113.26	2.0%	111.20	3.7%		
RevPAR	75.27	4.4%	81.54	4.2%		
Holiday Inn Express						
Occupancy	69.8%	0.5%pts	46.3%	0.5%pts		
Average daily rate	91.55	1.1%	74.37	0.5%		
RevPAR	63.90	1.8%	34.41	1.6%		
Staybridge Suites						
Occupancy	69.5%	(4.9)%pts	78.3%	5.9%pts		
Average daily rate	111.88	3.5%	115.69	(0.6)%		
RevPAR	77.73	(3.3)%	90.62	7.5%		
Hotel Indigo						
Occupancy	94.0%	0.6%pts				
Average daily rate	203.48	3.2%				
RevPAR	191.20	3.8%				

	Franchised		Managed		Owned and leased	
	2011	Change vs 2010	2011	Change vs 2010	2011	Change vs 2010
AMEA						
InterContinental						
Occupancy	70.8%	(3.9)%pts	64.5%	(2.2)%pts	71.4%	4.9%pts
Average daily rate	209.95	5.3%	207.30	0.6%	152.22	2.7%
RevPAR	148.64	(0.2)%	133.62	(2.7)%	108.75	10.3%
Crowne Plaza						
Occupancy	61.0%	5.5%pts	71.4%	(1.0)%pts		
Average daily rate	118.04	(5.3)%	143.00	2.5%		
RevPAR	72.04	4.2%	102.10	1.1%		
Holiday Inn						
Occupancy	72.0%	4.7%pts	71.8%	3.1%pts	87.2%	(2.9)%pts
Average daily rate	130.38	2.7%	120.45	3.3%	155.38	8.9%
RevPAR	93.84	9.9%	86.42	8.0%	135.49	5.4%
Holiday Inn Express						
Occupancy	56.5%	(1.8)%pts				
Average daily rate	71.10	(8.7)%				
RevPAR	40.14	(11.4)%				
Staybridge Suites						
Occupancy			79.5%	1.4%pts		
Average daily rate			144.69	(4.2)%		
RevPAR			114.96	(2.4)%		
Other						
Occupancy	68.4%	(2.1)%pts	61.4%	(8.7)%pts		
Average daily rate	123.25	0.4%	94.14	(0.3)%		
RevPAR	84.31	(2.6)%	57.76	(12.7)%		

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	Franchised		Managed		Owned and leased	
	2011	Change vs 2010	2011	Change vs 2010	2011	Change vs 2010
Greater China						
InterContinental						
Occupancy	83.4%	2.3%pts	59.4%	4.5%pts	75.1%	3.9%pts
Average daily rate	228.38	20.5%	135.21	7.9%	384.22	7.4%
RevPAR	190.39	24.0%	80.31	16.8%	288.38	13.4%
Crowne Plaza						
Occupancy			60.1%	2.7%pts		
Average daily rate			95.58	4.8%		
RevPAR			57.40	9.7%		
Holiday Inn						
Occupancy	77.8%	(2.2)%pts	64.3%	2.4%pts		