INTERCONTINENTAL HOTELS GROUP PLC /NEW/
Form 20-F
March 03, 2016
Table of Contents

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, 2015

or

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

or

¨ **SHELL COMPANY 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 15 $^{265}/_{329}$ 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 15 $^{265}/_{329}$ pence each	**236,117,256**

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 ¨

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 18 þ

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 ¨

Table of Contents

Great Hotels

Guests Love®

Table of Contents

Contents

The Strategic Report on pages 2 to 51 was approved by the Board on 22 February 2016.

George Turner, Company Secretary

Strategic Report

See **www.ihgplc.com** to view both the Annual Report and Responsible Business Report online.

Quick-read summaries of key information relating to the Group.

Table of Contents

Table of Contents

IHG at a glance

Our strategy for high-quality growth

We have more than 5,000 hotels and over 744,000 guest

rooms in our System in nearly 100 countries, and have

over 1,300 hotels in our development pipeline.

We are focused on strengthening our portfolio of preferred brands, building and leveraging scale, and delivering revenue to our hotels through the lowest-cost, direct channels. Our proposition to third-party hotel owners is highly competitive and drives superior returns.

We execute an asset-light strategy with a focus on the most attractive, high-growth markets and industry segments. We take a disciplined approach to capital allocation, investing for the future growth of our brands.

This enables us to drive sustainable growth in our profitability and deliver superior shareholder returns over the long term.

Group highlights

Total gross revenue in IHG s System ($)[a]

24bn (+5.3%)

2014: 23bn

Total operating profit before exceptional items and tax ($)[a]

680m (+4.5%)

2014: 651m

Total underlying operating profit

growth ($)[a, b]

67m (+11.5%)

2014: 57m

Revenue per available room (RevPAR) growth[a]

+4.4%

2014: +6.1%

Group revenue ($)

1,803m (-3%)

2014: 1,858m

Full-year dividend (¢/p)

85/58 (+10%)

2014: 77/48.6

Fee revenue[a, b]

+8%

2014: +7%

Driven by:

4.4% (2014: 6.1%) RevPAR growth; and

4.8% (3.2% excluding the Kimpton acquisition, 2014: 3.4%) net System size growth

Our business model

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners; our focus is therefore on building preferred brands and strong revenue delivery systems.

Franchised hotels (rooms)

4,219 (530,748)

2014: 4,096 (514,984)

Managed hotels (rooms)

806 (211,403)

2014: 735 (192,121)

Owned and leased hotels (rooms)

7 (2,217)

2014: 9 (3,190)

[a] Details of how non-GAAP measures are calculated are set out on page 155.

[b] Underlying excludes the impact of owned-asset disposals, managed leases, significant liquidated damages, Kimpton, and exceptional items translated at constant currency by applying prior-year exchange rates.

Where we operate

We operate in nearly 100 countries globally.

Group revenue 2015 ($1,803m)	Operating profit before exceptional items and tax 2015 ($680m)[a]	Number of rooms (744,368)

[a] Details of how non-GAAP measures are calculated are set out on page 155.

[c] For details of central revenue and net central costs, see page 46.

Table of Contents

Our preferred brands

Our diverse portfolio of differentiated brands meets the wide-ranging and ever-evolving needs of our guests, and means we have a compelling and preferred offer for our third-party hotel owners.

Underpinned by the IHG® parent brand and strengthened by IHG® Rewards Club, our powerful loyalty brand, our portfolio of 12 distinct hotel brands has been designed to inspire guests all over the world.

InterContinental® Hotels & Resorts: The InterContinental Life

International travel should always be alluring. Pioneers of new international destinations, we have expanded into over 60 countries. We are dedicated to those who appreciate and enjoy the glamour and exhilaration of fascinating places, of important conversations started and new stories written.

Kimpton® Hotels & Restaurants: A different way to stay

Heartfelt human connections make people s lives better, and this drives everything we do. We layer our sophisticated yet playful design in our hotels, restaurants and bars with thoughtful amenities and perks to deliver our sincerely personal style of service. Kimpton is where inspired travel begins.

Hotel Indigo® Hotels: Inspired by something new

Discovering something new on every trip is inspiring. With over 60 properties in culturally diverse locations across the globe, we are part of the pulse and the rhythm of a place, woven into the fabric, at the heart of it all.

EVEN® Hotels:

Where wellness is built in

Being on the road shouldn t disrupt a wellness routine. We know that many travellers wish there were more options to stay healthier and happier away from home. That s why we re here with wellness-savvy staff, a best-in-class fitness experience, healthier food choices and natural, relaxing spaces.

Table of Contents

Hotel brands	Hotels open	Rooms open	Hotels in pipeline	Rooms in pipeline
InterContinental Hotels & Resorts	184	62,040	52	15,676
Kimpton Hotels & Restaurants	61	10,976	18	3,366
Hotel Indigo Hotels	65	7,664	63	9,208
EVEN Hotels	3	446	8	1,262
HUALUXE Hotels and Resorts	3	798	21	6,632
Crowne Plaza Hotels & Resorts	406	113,284	84	23,181
Holiday Inn Hotels & Resorts	1,163	211,351	242	48,656
Holiday Inn Express Hotels	2,425	236,406	602	75,605
Holiday Inn Resort	47	11,518	14	3,548
Holiday Inn Club Vacations	16	5,231		
Staybridge Suites Hotels	220	23,964	114	12,641
Candlewood Suites Hotels	341	32,328	98	8,720
Other (unbranded)	98	28,362	14	5,421
Total	5,032	744,368	1,330	213,916

HUALUXE™ Hotels and Resorts: Capturing the spirit of Chinese hospitality

HUALUXE Hotels and Resorts is the first upscale international hotel brand designed specifically for Chinese guests. We have woven into every detail of the brand s service and design an acknowledgement of Chinese culture and heritage.

Holiday Inn® Hotels & Resorts: The joy of travel

The joy of travel is for everyone. We threw open the doors of our first hotel in 1952. Since then, we ve been making travel a more enjoyable experience for all sorts of people, all over the world. Delivering that experience is what we do every day.

Holiday Inn Express® Hotels: Simple, smart travel

At Holiday Inn Express, we keep it simple and we keep it smart. We ve made travel simple so that the basics are done brilliantly. Our mantra is everything you need, nothing you don t . That s what we do. We make travel smarter.

Staybridge Suites® Hotels: Feels like home

We love our guests to feel comfortable in a home-like environment. Staybridge Suites is ideal for upscale business and leisure travellers who want to move in for longer stays and enjoy the best of home and hotel.

Crowne Plaza® Hotels & Resorts: Making business travel work

We believe business travel should work better. In every market in the world, business has changed. It s more digital, more mobile, more connected. But one thing hasn t changed: business people need their hotel to work. We re ready for business 24/7, because when a business hotel works better, business works better.

Holiday Inn Club Vacations®: The joy of lifetime vacations

From the moment we welcome our Holiday Inn Club Vacations owners, we want them to feel proud to be part of a community of people who understand the importance of family. Holiday Inn Club Vacations is an investment in a lifetime of invaluable family memories.

Holiday Inn Resort®: The joy of family holidays

We want families to experience the joy of holidays because spending quality time together is one of life s great pleasures. We pride ourselves on having something for everyone in the family, from kids clubs and signature swimming pools to informal restaurants and quiet, fireside lounges.

Candlewood Suites® Hotels: Your home base

We believe in the freedom to live, work and relax on your own schedule. All of our 300-plus locations across the US are easily accessible, and we re always opening new hotels so guests can book a spacious suite whenever and wherever it works for them.

Table of Contents

Chairman s statement

I have seen the strong momentum across the business, and have been struck by the energy that our people bring to work each day.

Patrick Cescau

Chairman

We continued to make real progress against our strategy in 2015. There was a focus within the business on becoming more agile, accelerating pace and applying collective energy to build capabilities where it matters.

In 2015, we focused on executing our strategy to deliver high-quality growth at pace. It was also an interesting year for our industry a year where we saw industry consolidation, which arguably began with our acquisition of Kimpton Hotels & Restaurants, and discussion around the importance of building global scale. Scale is, of course, very important in what is a fragmented industry, but we focus on building and leveraging relevant scale, which is not just a numbers game. It s also about building scale in our priority markets, such as Greater China, and building differentiated capabilities in terms of our consumer-technology offer through our digital innovations.

Personal perspective

I spent time on the road during the year, meeting with many of our owners and staying in our hotels across the globe to see first-hand how we are developing and evolving our portfolio of brands. My visits took me to many of our most attractive growth markets, with a particular focus on Greater China, Germany and India, and I visited our regional teams in Atlanta, Delhi, Denham, Frankfurt and Singapore. I also had an opportunity to experience some of our new brands: EVEN Hotels,

I have seen the strong momentum across the business, and have been struck by the energy that our people bring to work each day. For a business that is about people and delighting our guests, this is critical; ultimately it s our people who deliver a truly memorable experience for our guests. I sincerely admire and appreciate the level of exceptional service our colleagues provide to the guests we welcome into our hotels.

I have also spent time listening to our owners across the world and understanding the challenges that they face. As Chairman, I see it as my duty to bring the perspective of our owners to the fore and ensure that we are building relationships for the long term. It is clear that our owners value the strength of our brand portfolio, and are impressed by our commitment to operational excellence and delivering strong returns. Further building and strengthening our relationships with owners will continue to be a key focus for us and for me personally.

Key highlights

HUALUXE Hotels and Resorts and, the newest brand in our portfolio, Kimpton Hotels & Restaurants.

We continued to make real progress against our strategy in 2015. There was a focus within the business on becoming more agile, accelerating pace and applying collective energy to build capabilities where it matters most. And this approach is paying off. I have been particularly impressed by the progress made to develop, implement and execute our commercial strategy, by enhancing our brand portfolio, transforming our loyalty proposition and strengthening our direct channels all underpinned by industry-leading technology.

Table of Contents

There have been three particular highlights for me this year. First, the sale of InterContinental Hong Kong and InterContinental Paris Le Grand, which signalled the completion of our asset-light strategy. Second, the completion of our acquisition of Kimpton Hotels & Restaurants, which made IHG the clear market leader in the boutique segment (source: Smith Travel Research). Finally, the work we are doing with Amadeus, the world s leading provider of advanced technology solutions, to develop a next-generation Guest Reservation System that will help us accelerate our efforts to revolutionise and personalise the guest experience. This is a very important piece of work for IHG and will help set us apart from our competitors into the future.

Leading shareholder returns

We are focused on delivering outstanding shareholder value. I am therefore pleased to announce that the Board is recommending a final dividend of 57.5 cents (40.3 pence) per ordinary share, an increase of 11 per cent on the final dividend for 2014, resulting in a full-year dividend of 85 cents (58 pence) per share, up 10 per cent on 2014. The Board has also proposed a $1.5 billion special dividend, which will take the total funds returned to shareholders since 2003 to more than $12 billion.

Corporate governance

As a Board, we are committed to maintaining our high standards of corporate governance and I take this commitment very seriously. The Board continues to focus not only on what we deliver as a business, but also how we deliver. Ensuring that there is a high level

of cultural integrity ingrained within the way IHG operates is a key part of this, as is our ability to drive sustainable performance and meaningful shareholder value.

The Board also spends a great deal of time focusing on the macro perspective and ensuring that we are being as competitive as possible. We engage in matters where we can add real value and we spend time and attention shaping, agreeing to and monitoring the implementation of IHG s strategy. In order to do this, we keep the composition of the Board under constant review to ensure that we have the right breadth of skills and expertise to be truly effective and to deliver real and tangible value. Anne Busquet and Jo Harlow have brought their consumer-facing technology experience to the Board, which has significantly improved the quality of discussion on our technology strategy, at a time when new advances are playing a transformative role in our industry.

Board changes

We formally welcomed Anne Busquet to the Board as a Non-Executive Director in March 2015. Anne has brought her impressive breadth of experience in digital commerce, hospitality, finance and marketing to the Board. She sits on the Audit, Nomination and Corporate Responsibility Committees.

In January 2016, we said goodbye to Tracy Robbins, who stepped down from the Board and from her position as Executive Vice President, Human Resources for health reasons. On behalf of IHG, I want to thank Tracy for her long-standing contribution to the business. Her passion for people and strong commitment to developing talent has

played an important role in IHG s success. We wish her all the best for the future.

In February 2016, we announced that Jennifer Laing and Ying Yeh will be retiring from the Board following the AGM on 6 May 2016. As long-standing members of the Board, Jennifer and Ying have shown real commitment and dedication to IHG. I would like to thank them for the important role they have played in IHG s development over the last decade. Jill McDonald, a Non-Executive Director, will succeed Jennifer as Chairman of the Corporate Responsibility Committee.

A winning team

I would like to close by thanking Richard Solomons for his stewardship and leadership of the business this year, which resulted in *HOTELS Magazine* naming him 2015 Corporate Hotelier of the World. This is a testament to Richard, to the talented and passionate people who bring IHG s brands to life for our guests each and every day, and to our owners, for their continued confidence in our business.

Patrick Cescau

Chairman

Table of Contents

Chief Executive Officer s review

We drove strong momentum in 2015 and delivered excellent financial and operational performance. Our focus on driving growth in markets where we see the greatest opportunity has paid off, and will continue to be a key part of our strategy in the coming years.

One of our key highlights of the year was welcoming Kimpton Hotels & Restaurants into the IHG family and seeing the business enjoy the best year in its history.

Richard Solomons

Chief Executive Officer

Our Winning Model remains at the heart of our success and it continues to help deliver high-quality growth. We made significant progress against each element of the model in 2015, particularly in terms of building and strengthening our portfolio of preferred brands, enhancing our leading loyalty programme, and ensuring that the way we manage our channels is as effective as possible.

Financial and operational highlights

We continued to drive strong momentum in the year. We delivered double-digit underlying profit growth, opened more hotels into the System than we have since 2009, signed more hotels than we have since 2008, and closed the year with more than 5,000 open hotels in our System a significant milestone for the business. Our focus on driving growth in priority markets where we see the greatest opportunity has paid off, with 87 per cent of our open rooms and approximately 90 per cent of our pipeline rooms in these markets. This will continue to be a key part of our strategy in the coming years.

Strengthening our brand portfolio

We strengthened our portfolio of preferred brands during the year, and focused on innovating and evolving our brand offer. We opened the first three HUALUXE Hotels and Resorts in Greater China, and a flagship property for EVEN Hotels in New York, with a further six hotels for the EVEN brand signed into the pipeline.

A key highlight of the year was welcoming Kimpton Hotels & Restaurants into the IHG family. Boutique is the industry s fastest-growing segment and, with Kimpton and Hotel Indigo, we are uniquely positioned to benefit from this increase in demand. 2015 was Kimpton s best ever year in terms of openings and signings and, in January 2016, we were delighted to announce the brand s first signing outside of The Americas, in Amsterdam, the Netherlands.

This year will see us celebrating the 70th anniversary of InterContinental Hotels & Resorts, the largest luxury hotel brand in the world. Holiday Inn Express, which is part of the

2015 also marked the successful completion of our major asset-disposal programme, with the sale of InterContinental Hong Kong, over which IHG retained a 37-year management contract with three 10-year extension rights. It was fitting that this iconic building should be the last major owned asset in our portfolio. Our asset-light approach is highly cash-generative and delivers a high return on capital employed. It also means that we benefit from the reduced volatility of fee-based income streams so we can focus on growing our fee revenues and fee margins with limited requirements for our capital.

We continued to make excellent progress delivering against our technology strategy, building on our strong track record of innovation and leadership in this space. This includes successfully driving digital revenue growth. In 2015, we leveraged our highly rated mobile app, with over 40 per cent of digital visits on mobile, and we recorded annual mobile revenue of more than $1 billion, up from less than $50 million in 2010. This is a remarkable achievement.

Holiday Inn brand family, the world s largest hotel brand, will also be celebrating its 25th birthday in 2016.

Building loyalty and meaningful membership

Building loyalty and lifetime relationships with our guests is an important part of our business and a key growth driver for us. We know that guests are looking for a rewarding relationship built on trust, and respond best to efforts that are focused on building genuine brand loyalty over a sustained period of time. We are constantly looking at ways in which we can enhance our ability to deliver a personalised experience for members, before, during and after their stay. Our insight shows us that frequent travellers want to be given an extra level of reward in return for their continued loyalty, too. As a result, we introduced a new top-tier membership level, Spire Elite, and restructured IHG Rewards Club so that it is easier for our loyal members to reach gold and platinum status.

Table of Contents

IHG s 5,000 Club In 2016, we unveiled Hotel Indigo Lower East Side New York as our 5,000th hotel globally (top). InterContinental London The O2 (centre) and Hotel Van Zandt, a Kimpton Hotel in Austin (TX) (bottom) formed part of our 5,000 Club , a series of landmark hotel openings that contributed to IHG surpassing the 5,000-hotel milestone.

Loyalty was a key theme in the latest IHG Trends Report, which we published in January 2016. The report challenges brands to engage in a way that builds membership communities in The Age of I that is, to encourage consumers to share opinions and insights as they connect around their experience of a brand, while at the same time allowing them to maintain their individuality (see page 22).

Responsible business agenda

Doing business responsibly is integral to life at IHG and is a principle that guides how all of our colleagues around the world behave from day to day. It helps us build trust and preference for our brands, operate more effectively and create long-term value for our shareholders and stakeholders. Our global scale also means that our influence extends across thousands of communities around the world and sees us interact with millions of people on a daily basis. Our view is that growth is not just about short-term financial and operational performance; it is about nurturing the health of the organisation into the future and staying true to our values. I am very proud of our achievements in 2015, all of which are a result of the efforts of each and every one of the 350,000 colleagues who work in IHG-branded hotels and

In February 2016, we launched the IHG® Foundation, which will build on the hugely positive impact we have driven through our corporate responsibility initiatives over a number of years. IHG Academy and the IHG Green Engage system will continue to be delivered in IHG s hotels. Disaster-relief activity, previously activated through IHG Shelter in a Storm, will be incorporated into the IHG Foundation.

Our awards

Independent recognition is an important endorsement of our success, and we are proud of the many awards we won in 2015. *Fortune Magazine* ranked IHG as a world s Most Admired Company 2015 ; *Forbes* named us one of the world s most reputable companies for 2015; and we were accredited as a Top Employer in 2015 for both the UK and Greater China by the Top Employers Institute.

Our brands have been in the spotlight too. InterContinental Hotels & Resorts won an impressive 28 awards at the World Travel Awards Asia & Australasia 2015, including the coveted Asia s Leading Luxury Business Hotel Brand Award; Holiday Inn won Best corporate offices worldwide.

We completed the global roll-out of our successful group-wide sustainability programme, the IHG Green Engage system; we celebrated the 10th year of the pioneering IHG® Academy programme, a global collaboration between IHG hotels, local education providers and community organisations, which now has more than 1,200 programmes in 68 countries; and, finally, IHG® Shelter in a Storm responded to 27 disasters in 17 countries in 2015, including supporting the relief work in Nepal following the devastating earthquakes.

In addition, we developed and launched a human rights e-learning module, which is available to all colleagues worldwide, and we led the roll-out of IHG Marketplace, a hotel procurement platform, which incorporates our Vendor Code of Conduct as well as responsible business criteria.

Mid-Market Hotel Brand in the World at the 2015 Business Traveller Asia-Pacific Awards; and IHG was named World s Leading Hotel Brand at the World Travel Awards 2015.

Looking ahead to 2016

We go into 2016 with confidence and in a position of strength. We have a compelling and proven strategy that is delivering. We will continue to focus on building scale where it matters, and on executing our strategy at pace.

As ever, I would like to close by thanking the talented and passionate people who bring IHG s brands to life for our guests each and every day.

Richard Solomons

Chief Executive Officer

Table of Contents

Industry overview

Where the industry is now

The global hotel industry

The global hotel industry comprises approximately 15.9 million rooms, broadly segmented into branded (multiple hotels under the same brand) and independent (non-branded) hotels. Growth in demand is primarily driven by economic growth and an increasing trend for domestic and global travel. Over the long term, the lodging industry has grown broadly in line with gross domestic product (GDP). However, in the US, the largest market in terms of room numbers, growth in consumer spend on lodging has exceeded GDP growth by 2.6 percentage points per annum over the last 50 years.

There are several industry metrics that are widely recognised and used to track performance, including revenue per available room (RevPAR) and rooms supply growth. Globally, both of these indicators have seen robust growth in the last five years. In the US, our largest market, supply growth in the last five years has been significantly below the long-term average of 2 to 2.1 per cent. This, coupled with strong hotel demand in this market (3.3 per cent year-on-year growth over the past five years), has led to RevPAR growth.

The branded hotel market

Within the global hotel market, branded hotels account for 53 per cent of total rooms supply. However, in spite of ongoing consolidation, the market remains fragmented, with five of the leading branded hotel companies

(Hilton, Marriott, IHG, Accor and Starwood) accounting for 36 per cent of total open branded rooms, and 61 per cent of the branded development pipeline (hotels in planning and under construction but not yet opened).

According to Smith Travel Research, branded hotel companies have consistently increased their share of the global hotel market over the past 10 years, in addition to showing an increased resilience through the economic cycles. Larger players are also driving clear revenue outperformance, as well as benefiting from advantages in terms of economies of scale across a broad portfolio of hotels.

The different business models within the hotel industry

Depending on whether a hotel is branded or independent, there are different business models it can adopt. The four models typically seen in the industry are franchised, managed, owned and leased:

- owned hotels are owned and operated by an owner who bears all the costs associated with the hotel but benefits from all of the income;
- a leased model is similar, except the owner-operator of a hotel does not have outright ownership of the hotel but leases it from the owner of the property;
- under a managed model, the owner of a hotel will use a third-party manager to operate the hotel on its behalf and will
pay the manager management fees and, if the hotel is operated under a third-party brand name, brand licensing fees; and

a franchised hotel is owned and operated by an owner under a third-party brand name and the owner will pay a brand licensing fee to the brand owner.

Whilst an owner-operated hotel enables the owner to have full control over hotel operations, it requires high capital investment. In contrast, for hotel-brand owners, a franchised or managed model enables quicker rooms growth due to lower capital investment, but this requires strong relationships with third-party hotel owners.

Global industry RevPAR ($)

Global rooms supply (millions of rooms)

Key trends shaping the industry

In addition to growth drivers, we also see a number of key trends shaping the hotel industry. Developments in digital technology, combined with evolving and ever-changing consumer needs, are transforming guest behaviours and creating a more dynamic competitive environment.

Technology-based transformation

Technology continues to have a multifaceted and substantial impact on our industry:

The prevalence of mobile devices and the accessibility of the internet continue to change how guests engage with, and what they expect from, lodging providers across the entire Guest Journey (which we describe as Dream, Plan, Book, Stay and Share). Technology is enabling is expected to deliver more than half of all online travel bookings in the US in 2016, and a growing number of guests now book their rooms within 24 hours of their arrival.

Enabled by technology, travel companies, hotels, review sites and online travel agents have been able to grow their presence online, providing travellers globally with access to compelling content, price transparency and the ability to compare a wealth of travel options.

Technology is fuelling the growth of alternative lodging providers, who have also been effective at opening up a large supply of private urban accommodation by developing and marketing online distribution platforms.

Advances in big data and data analytics are allowing travel companies to develop richer insights into guest needs, enabling more personalised services and tailored offers.

Owners are increasingly benefiting from new tools and technology applications offered by hotel companies. For example, sophisticated online training platforms and revenue management tools, accessible via cloud computing, are helping hotel companies to drive a more consistent service for guests and more profitable revenue for owners.

Advancements within hotel technology are also improving the guest experience.

For example, mobile check-in and apps for room service and housekeeping are providing guests with greater flexibility and choice around their stay experience.

guests to book their travel with
greater control and immediacy, and
share their travel experiences in more
practical and engaging ways. Mobile,
for example,

Table of Contents

Where the industry is heading

Major underlying drivers supporting growth in our industry

At a local-market level, industry performance is impacted by short-term economic and political factors. However, in the long term, growth in the global hotel industry is driven by the following three major underlying drivers.

Economic

Long-term macroeconomic trends substantially benefit the hotel industry. Global GDP growth of circa 2.6 per cent per annum in the last 10 years has contributed to an increase in disposable income and a rise in middle-class households, making travel affordable for more people. This trend can be observed in China, where the number of households earning above $35,000 per annum (a key income level, at which international travel becomes accessible), rose by 21 million from 2003 to 2013, with an additional 61 million households expected to pass this threshold by 2023.

Demographic

The growth of an ageing population, which has the desire and means to travel, is another

Social

Increased competition and capacity amongst airlines, lower fares, and the relaxation of travel and immigration restrictions in many regions are making international travel more viable for more people. International tourist travel is expected to increase by 3.3 per cent a year from 2010 to 2030, reaching 1.8 billion arrivals by 2030.

The Future of Chinese Travel

In 2015, we partnered with global research company Oxford Economics to produce a comprehensive report evaluating the Chinese outbound travel opportunity.

In this report, we examine historical and current trends in Chinese outbound travel and how economic and demographic developments will shape demand for Chinese travel over the next decade.

Our industry-leading research provides a unique insight into which countries, and, for the first time, which cities, will benefit most from significant growth in Chinese outbound travel globally.

Multi-generational families are a growing guest segment

favourable driver shaping the industry. The global population over the age of 60 is expected to increase from approximately 800 million in 2013 to 2 billion by 2050, increasing overall demand for travel services.

Visit www.ihgplc.com/chinesetravel to download the full report.

Continually evolving consumer needs

The demographic profile of our guests continues to evolve and, in conjunction with the developments in digital technology, these trends are driving different accommodation needs and stay expectations.

This is evident across all age groups, and in particular amongst millennials, who are becoming an increasingly important guest group.

This group is also challenging some of the well-established norms of travel by having more flexible working patterns, seeking more personalised and unique guest experiences, and being more open to using the sharing economy to meet their accommodation needs.

In addition, there has been a diversification of family travel needs as a result of an ageing population and changes to the traditional family unit. Multi-generational families, for example, are a growing guest segment, with over a third of respondents in a 2014 US AAA survey planning to make at least one multi-generational holiday in the upcoming year.

Another trend we are seeing is the blurring of business and leisure travel, with a growing number of professionals adding leisure days onto business trips.

Furthermore, as a result of these trends, accommodation providers increasingly need to cater for a more diverse set of guest needs and expectations.

A more dynamic competitive environment

These key trends are changing the competitive landscape within the industry. Hotels compete with each other and with travel intermediaries and companies offering alternative lodging solutions, such as peer-to-peer home rental companies.

While the long-term growth of branded hotels has outpaced that of the home rental market, some peer-to-peer home rental companies have capitalised on the small but fast-growing segment of urban short- to medium-term rentals, offering personalised, home-like stay experiences.

At IHG, we cater for these guest demands through our extended-stay hotel brands, boutique brand portfolio and branded residences offer. We are also investing heavily in our people to ensure they deliver unique and personalised stay experiences. Meanwhile, our proactive approach to building preferred brands, targeted at guest occasion segments, is enabling us to enhance our competitive position.

travel

Table of Contents

Our business model

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners. Our asset-light strategy enables us to grow our business while generating high returns on invested capital.

For definitions in this section, please refer to the Glossary on pages 176 and 177.

We franchise and manage hotels depending largely on market maturity, owner preference and, in certain cases, the particular brand. For example, in the US, a mature market, we operate a largely franchised business. By contrast, in Greater China, an emerging market, we operate a predominantly managed business where we are responsible for operating hotels on behalf of our third-party hotel owners.

In a few instances, we also own hotels through recyclable investments in order to drive the growth of our brands and to expand our presence in priority markets. The key differences between our three main models are summarised below.

Business model	Hotel ownership	IHG capital intensity	Employees[a]	Brand ownership, marketing and distribution
Franchised	Third party	Low	Third party	
Managed	Third party	Low	IHG and third party	IHG
Owned and leased	IHG	High	IHG	

[a] For information on who are our employees, see page 153.

The business model is adapted by market as necessary.

IHG revenue and the System Fund

Third-party hotel owners pay:

(i) fees to IHG in relation to the licensing of our brands and, if applicable, hotel management services; and

(ii) assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund.

Table of Contents

In 2015, over

90%

of our operating profit was generated from our asset-light franchise and management contracts.

In 2015, approximately

85%

of our fee revenue was derived from hotel revenues.

IHG s fee revenues are derived from payments made by our third-party hotel owners under the terms of their franchise and, where applicable, management agreements with us.

Our asset-light, principally franchised and managed business model:

- is highly cash-generative, with a high return on capital employed; and
- means IHG benefits from the reduced volatility of fee-based income streams and allows us to focus on growing our fee revenues and fee margins with limited requirements for IHG s capital.

Disciplined approach to allocation of capital

Our focus on an asset-light business model is supported by a disciplined, long-term approach to allocating capital and reducing the asset intensity of the business. During 2015, we completed the disposal of InterContinental Paris Le Grand for 330 million, and sold InterContinental Hong Kong for $928 million (after final working capital adjustments and cash tax). We seek to maintain an efficient balance sheet with an investment-grade credit rating.

Our business is highly cash-generative (see page 49), and we have three primary uses for this cash:

Invest in the business to drive growth: this includes acquisitions of businesses and our day-to-day capital expenditures. In 2015, we completed the acquisition of Kimpton Hotels & Restaurants for $430 million (before working capital).

Maintain sustainable growth in the ordinary dividend: our 2015 full-year dividend will be 85.0 cents (58.0 pence) per share (subject to shareholder approval of the 2015 final dividend) up 10.4 per cent on 2014 (see page 48).

Return surplus funds to shareholders (see page 48): in February 2016, the Board proposed a further $1.5 billion return of funds to shareholders via a special dividend with share consolidation.

IHG s outlook on capital expenditure

Capital expenditure incurred by IHG can be summarised as follows.

Capital expenditure	Examples
Maintenance capital expenditure and key money to access strategic growth	Maintenance of our owned and leased hotels, which is now reducing as we have become increasingly asset-light. Corporate infrastructure maintenance for example, in respect of our offices and systems. Deployment of key money, which is used to access strategic opportunities, particularly in high-quality and sought-after locations when returns are financially and/or strategically attractive.
Recyclable investments to drive the growth of our brands and our expansion in priority markets	Through the acquisition of real estate, investment through joint ventures or via equity capital. We aim to recycle this capital by selling these investments when the time is right and to reinvest elsewhere in the business and across our portfolio, as we are currently doing for our EVEN and Hotel Indigo brands.
System-Funded capital investments for strategic investment to drive growth at hotel level	The development of tools and systems, such as our revenue management offer, that hotels use to drive performance.

Table of Contents

Our strategy for high-quality growth

We are focused on delivering high-quality growth,

which for us means delivering consistent, sustained

growth in cash flows and profits over the long term.

Through our Winning Model, we focus on value-creation through building preferred brands, leveraging scale and delivering revenue through the lowest-cost, direct channels. Our Targeted Portfolio, together with Disciplined Execution and a commitment to doing business responsibly, will drive superior returns for our shareholders.

We measure our performance with a set of carefully selected key performance indicators (KPIs), which monitor our success in achieving our strategy and delivering high-quality growth.

Table of Contents

Winning Model

IHG s Winning Model is our framework for delivering superior value-creation through our brands, our people and our systems.

Preferred brands delivered

through our people

Having a strong portfolio of preferred brands is fundamental to our success. In a highly competitive industry, powerful, well-defined, consistent and well-known brands are influential in ensuring both guests and owners choose an IHG brand over a competitor s. Our talented people play a critical role in providing consistently high standards of guest service and delivering each brand promise, and our winning culture encourages and empowers them to bring each of our preferred brands to life.

Strong brands result in increased RevPAR, through higher occupancy rates and guests greater willingness to pay a premium to stay at their preferred brand. In turn, higher RevPAR results in better returns for our owners and fees for IHG. Informed by guest and owner insights, we are focused on driving brand preference for each of our brands.

See pages 20 and 21 for examples of our actions to build preferred brands in 2015.

Build and

leverage scale

Scale provides significant advantages in the hotel industry at the global, national and city level. The size of the IHG System, and our concentration in attractive markets and key gateway cities, allows us to benefit from economies of scale, which lead to higher margins and operating leverage. Scale also enables us to invest in our brands, including the technology required to support their continued growth, and to implement efficient sales and marketing and procurement practices, thereby increasing the advantages an IHG brand brings to owners.

IHG already benefits from substantial scale advantages, having over 744,000 rooms open at the end of 2015, a top-five market share position by rooms in eight out of our 10 priority markets, and System Funds contributed in 2015 totalling $1.6 billion. To achieve further targeted-scale benefits, we focus on delivering high-quality growth in the most attractive geographic markets, along with building distribution in global cities that benefit from very large international travel flows, focusing on the luxury segment.

See page 17 for examples of how we maximise the scale and efficiency of our operations and page 38 for details of our key openings in the luxury segment in 2015.

Strong brand portfolio

and loyalty programme

A portfolio of strong, complementary brands allows us to offer solutions for every guest need, which promotes cross-selling across different hotel brands. This, combined with a strong loyalty programme, increases awareness and recognition of the IHG brand, as well as each of the individual hotel brands, helping us to drive business. Whilst we continue to grow our brands to meet the differentiated needs of our guests, we are also focused on driving long-lasting and deep relationships with guests by recognising and rewarding them for their loyalty. In turn, this is helping to ensure that IHG Rewards Club, which has more than 92 million members worldwide, is one of the largest and most preferred loyalty programmes in the market.

See page 22 for examples of our actions to build a strong brand portfolio and loyalty programme in 2015.

Effective channel management

We drive demand to our hotel brands through strong brand awareness and effective revenue management practices, reducing distribution costs and delivering better returns for our owners. Our direct channels (digital and voice) are less costly to owners than third-party intermediaries and we therefore drive demand for our hotels through these channels and also manage revenue per booking, delivering the highest-quality revenues to IHG hotels at the lowest possible cost.

See page 23 for examples of our actions to build strong channels in 2015.

Superior owner proposition

A strong owner proposition, preferred brands, effective operational support and long-standing owner relationships play a vital role in making us the brand of choice for owners. We are committed to delivering a compelling and preferred owner offer, and we continually review and enhance our owner proposition in many ways. Specific examples include the following:

- Evolving our hotel support model in The Americas and Europe to deliver a more owner-centric, customised offer. In The Americas, for example, we have introduced dedicated franchise performance support leads who act as a single point of contact for owners, helping to establish strategies and activities that drive superior hotel performance. These leads will also help to navigate owners to IHG specialists in the fields of Revenue Management, Sales and Marketing, Operations and Guest Experience.
- Continuing to invest heavily in our training platforms, including IHG Frontline, which will provide critical training to the circa 90,000 employees who will be recruited by IHG in the managed estates, in addition to a large number of staff in our franchised properties. In addition, we also continue to invest in developing our range of proprietary revenue-driving tools and services, such as Revenue Management for Hire, Price Optimisation and IHG Way of Sales.
- Running our annual, global Owner HeartBeat satisfaction survey, which yields valuable insight from our owners on the relative strengths and weaknesses of our proposition and enables us to deliver targeted enhancements to our offer.
- Maintaining strong owner relationship management and working with the IHG Owners Association (which represents the interests of our hotel owners globally) to deliver joint initiatives.

See www.ihgplc.com/ihgowners for more information.

Table of Contents

Targeted Portfolio

We operate in the most attractive markets for IHG and in the highest opportunity segments based on guests occasion needs, with an asset-light business model franchising and managing hotels rather than owning them.

Attractive markets

Achieving scale and driving growth requires IHG to focus on the most attractive markets, where there is the best fit with our strategy and business model. These markets have large inbound and domestic demand for branded hotels or show great potential to have this in the future. Whilst we operate in nearly 100 countries and continue to expand our presence globally, we primarily focus our efforts on 10 priority markets in which we either have a strong existing competitive position or have a compelling opportunity to build one. These include a number of key emerging and developed markets US, Middle East, Germany, UK, Canada, Greater China, India, Russia, Mexico and Indonesia. These currently represent 87 per cent of the IHG System and approximately 90 per cent of the pipeline.

Our focus on 10 priority markets ensures that we are able to concentrate investment in brand-building and developing critical infrastructure for instance, by adapting our websites to the local language and deploying dedicated sales teams. This approach helps to drive greater brand awareness, stronger channels and economies of scale, which, in turn, deliver margin growth. Outside

Highest opportunity segments

Typically, the hotel industry is segmented according to price point, and IHG is focused on the three segments that generate over 61 per cent of branded hotel rooms revenue namely, upper midscale, upscale and luxury. We believe these segments have the highest growth opportunity and strongest resilience to industry and economic cycles. However, we also recognise that guests choose a hotel based on their needs and the occasion, resulting in the possibility of the same guest, at different times, staying across multiple hotel segments.

Our portfolio of brands is targeted around differing occasion segments. We tailor each of our brands to meet guests needs, looking at the occasion they are travelling for and their need for travelling. This approach and segmentation analysis has been used to refine the brand positioning of our existing brand portfolio, was used to develop brand propositions for both the HUALUXE Hotels and Resorts and EVEN Hotels brands, and was an important consideration in the acquisition of Kimpton Hotels & Restaurants.

Priority markets

10

US, Middle East, Germany, UK, Canada, Greater China, India, Russia, Mexico and Indonesia

Representation of the IHG System

87%

Representation of the IHG pipeline

90%

High-quality growth in the most attractive markets

(from top to bottom) Holiday Inn Hotel & Suites Bengaluru of these 10 markets, we are also focused on building hotel distribution in a network of key global cities with high numbers of international travellers, where we benefit from global brand awareness.

Franchised and managed model

We focus our business model on franchising and managing hotels, thereby enabling us to concentrate on building strong, preferred brands based on guest needs. As discussed on pages 12 and 13, we will choose to franchise or manage hotels depending on a range of factors, including market maturity, owner preference and, in certain cases, the particular brand. We also seek to adapt this business model by market as necessary for example, through the use of managed leases, partnerships and joint ventures.

Whitefield, India; Holiday Inn Express Jakarta Wahid Hasyim, Indonesia; and InterContinental Chennai Mahabalipuram Resort, India, all of which opened in 2015.

Table of Contents

Disciplined Execution

We recognise that successful delivery of our strategy for high-quality growth requires Disciplined Execution. We prioritise investment in our technology platforms and our people, as well as delivering operational efficiencies.

Scale and efficiency of operations

Driving efficient operational processes and managing our costs allows us to contribute to hotel performance through efficient working practices, tools and systems. It also helps us strengthen our revenue delivery systems for example, our reservations website and offices which means an increase in System contribution to hotel revenue, supporting our owner proposition and maximising our investment in building preferred brands. Careful cost management, leveraging our scale and focusing on productivity improvements also allow us to drive continued improvement in our margin.

To maximise the scale and efficiency of our operations, we:

focus investment on initiatives which support strategic priorities for example, in 2015 we launched Procure to Pay, a comprehensive and fully automated online procurement system, allowing us to monitor and control spend, and use our scale to deliver buying advantage;

have made further improvements to our Hotel Ready processes, to ensure that General Managers and other colleagues in our hotels are focused on

To deliver the highest-quality digital content for our guests, we are ensuring that we have the right technology foundations and infrastructure in place. In 2015, we:

announced in April the second phase of our strategic relationship with Amadeus to develop a next-generation Guest Reservation System;

deployed an enhanced customer relationship management system in hotels;

continued to standardise on property hardware for all IHG hotels in the US, providing a consistent platform that allows us to develop solutions such as mobile check-in and check-out; and

piloted new connectivity infrastructure, such as IHG Connect, an enhanced Wi-Fi solution for our hotels.

Improving our technology infrastructure gives us the foundation to transform the guest experience and make it more interactive through digital content. In 2015, we:

Investment in developing great talent

Our people are fundamental to achieving our ambition they bring our brands to life on a daily basis, delivering on each individual brand promise to enhance the guest experience. They are also, therefore, a critical part of our success. Accordingly, we recognise the importance of attracting, retaining and developing the very best talent in the industry. To achieve this, our people strategy focuses on a number of key areas.

1. Attracting and retaining the best talent

Building a strong employer brand assists us in attracting the best possible talent to meet our strategic objectives. We ask our people to live our Winning Ways (set out below) and act in a responsible way (see page 24 for how acting responsibly is part of our culture). In turn, we offer our people our Room to be yourself commitment, which is brought to life by four promises.

embedding the most critical initiatives, such as our IHG Frontline training platform and enhancements to IHG Rewards Club, in our 5,032 hotels; and

use analytics and data to help enhance our human resources processes for example, in 2015 we launched an analytics dashboard for all line managers, providing greater insight into people data, helping our people make faster and smarter decisions in relation to recruitment, diversity, career progression and performance management.

Investment in developing strong technology platforms

Technology is playing an increasingly important role in shaping the travel industry and underpins everything that we do for guests, owners and colleagues around the world. We believe that keeping abreast of trends as they evolve and investing in technology systems will assist us in building brand preference, strengthening our loyalty programme and delivering compelling and engaging digital content across the Guest Journey , enabling us to build lifetime relationships with our guests.

introduced compelling digital content across the Guest Journey , allowing users to explore destinations and create personalised travel guides for more than 50 locations;

made numerous improvements to our award-winning mobile app, with downloads of the app growing by 27 per cent, thereby increasing mobile bookings by 40 per cent to over $1.2 billion;

launched an Apple Watch version of our highly-rated IHG Translator app;

rolled out single-login guest Wi-Fi for IHG Rewards Club members, allowing guests to seamlessly access hotel internet with their IHG Rewards Club profile; and

piloted the Guest Request tool in the US, giving our guests the ability to make in-hotel requests through the IHG mobile app, which has driven a five percentage point increase in guest satisfaction.

Room to have a great start

We know how important it is to make sure that all our colleagues have a great start to their career with IHG. We ensure that all colleagues have access to the tools and information they need to hit the ground running, and be productive and integrated into their role as quickly as possible.

Table of Contents

***Disciplined Execution** continued*

Employee engagement

87.3%

of survey respondents in 2015 were engaged,

an improvement of

30ppt

since 2007.

Corporate hires

53%

of all positions filled below Executive Committee

level in 2015 have been internal moves.

Awards

15+

received in 2015 for our people practices.

Room to be involved

We communicate with employees on matters relating to the Group s business and performance, and we share information on people, policies and news across IHG through various channels, including conferences, team meetings and our intranet site. We encourage employees to give regular feedback to ensure IHG meets expectations and delivers on its commitments this is formally done through the Employee Engagement survey, the results of which are a KPI.

Room to grow

Our people are given access to the required support, experience and training, and are provided with development opportunities.

Room for you

We reward and recognise colleagues for their contributions, and value the significance of their lives beyond work. When our people perform at their best, our business performs at its best.

2. Developing leaders to maximise individual and team performance

We are committed to developing our leaders and launched a number of programmes and tools in 2015 that will ensure that building people capability around leadership becomes an everyday part of working at IHG. One example is the IHG General Manager Development Programme, developed in conjunction with the IHG Owners Association, which develops high-performing General Managers who consistently keep our brand promises, inspire their teams, and deliver great results.

3. Building the right skills in frontline colleagues

As a service business, building the skills of our people to deliver a consistent branded guest experience is crucial. We continue to invest heavily in this area, such as by launching IHG Frontline in 2015, our online platform that enables hotel colleagues to build knowledge and skills around brands, service and operations.

4. Building a strong performance culture

We have established a winning culture and a framework to drive high performance, where regions and functions are aligned to the internal performance measures that most effectively drive business performance across our global organisation. This ensures that our hotels offer great guest experiences through consistent brands, which enable our brands to win and deliver returns to owners, and that our corporate colleagues focus on what matters most to deliver against our priorities.

This framework, together with our hotel and corporate talent and leadership programmes, is designed to enable our colleagues to respond with speed, agility and a strong focus on driving higher performance, which comprises our winning culture .

Diversity and inclusion

As a global organisation operating in nearly 100 countries around the world, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate and the guests who stay in our hotels. As at 31 December 2015:

- six of the 12 Directors on the Board were female (50 per cent); however, due to recent changes to the Board, at 22 February 2016, 5 of the 11 Directors on the Board were female (43 per cent) and, after the AGM on 6 May 2016, it is anticipated that 3 of the 9 Directors on the Board will be female (33 per cent);

- 33 out of the 130 senior managers employed by the Group (including directors of subsidiaries) were female (25 per cent); and
- 7,158 out of the 12,727 people employed by the Group and whose costs were borne by the Group or the System Fund were female (56 per cent).

Please see pages 52 and 65 for more information on Board diversity and succession planning.

More information on our employees can be found on page 153 and the Our people section of the Responsible Business Report (see www.ihgplc.com/responsiblebusiness).

Table of Contents

Table of Contents

Our Winning Model in action: executing our strategy *continued*

1. Building preferred brands

Holiday Inn hotels refurbished since 2007

3,300+

Hotels signed up to adopt next-generation

Holiday Inn Express hotel design

475+

Crowne Plaza rooms in the pipeline

23,181

Positioned against a differentiated set of guest needs and occasions, EVEN and HUALUXE are clear examples of IHG s strong commitment to innovation.

Strengthening our established brands

Holiday Inn brand family enhancements

With over 460,000 rooms, the Holiday Inn brand family is the largest midscale brand internationally. Since 2007, we have completed the industry s largest ever brand refresh, together with our owners refurbishing over 3,300 hotels, opening 1,500 new hotels and removing 1,100 existing hotels. We continue to innovate on the guest experience for the Holiday Inn brand family, and, in 2015:

We announced the launch of our Holiday Inn H4 Hotel Design Solution (a room design allowing guests to work and relax with greater flexibility) and completed a pilot of a flexible new food and beverage service platform (providing training, innovative menu options, merchandising, financial tools and dedicated IHG support), which will be rolled out across the Holiday Inn estate in the US and Canada during 2016.

In the US and Europe, we launched our next-generation Holiday Inn Express hotel design and procurement solution, aligned closely to the needs of the Holiday Inn Express target guest. Our focus has been to put sleep quality, simplicity and ease of maintenance at the centre of all design decisions, and this solution will become a brand standard for all new build properties. Since launching in 2015, we have seen strong levels of adoption, with 59 US and 10 Europe hotels adopting the full design (or incorporating key design elements). In the US, guests have shown great enthusiasm for this initiative, with 90 per cent of feedback on our brand.com websites being positive. Similarly, our Europe hotels with the new design have seen increases in guest satisfaction by up to 10 percentage points. Over 475 additional hotels have already committed to rolling out the next-generation hotel design in the next three years, and we expect further hotels to sign up in 2016.

We continued to extend our scale in Holiday Inn Club Vacations (HICV) through our strategic relationship with Orange Lake Resorts. In May 2015, it acquired the US timeshare company Silverleaf Resorts, adding 13 properties to its resort portfolio. Three of these properties re-opened under the HICV brand in 2015 and plans are in place to convert further properties in 2016. Together with Orange Lake Resorts, we also opened the 213-unit HICV Scottsdale Resort in Arizona, a key US leisure destination.

Crowne Plaza growth

With 406 open hotels, Crowne Plaza is one of the largest upscale brands globally (source: Smith Travel Research) and our ambition to make it the preferred choice for the modern-day business traveller remains unchanged. In 2015, we made good progress in fulfilling that ambition. For example, we rolled out complimentary Wi-Fi to all our hotels in The Americas and Europe and have begun offering Energy Essentials , our new food and beverage concept for guests to stay focused during the day.

We piloted our new WorkLife room prototype, a flexible room designed to maximise productivity whilst also catering for all the travel needs of a business professional. In addition, we also made important enhancements to our business-to-business meetings proposition, reinforcing Crowne Plaza s position as a leading business-meetings brand.

We continue to focus on driving consistency and greater quality across our portfolio, with over 55 per cent of our US estate built or renovated since 2010. These efforts are now delivering better outcomes for Crowne Plaza, such as a 6.1 per cent increase year on year in global RevPAR and a third consecutive year of improvements in guest satisfaction.

Developing our newer brands

Positioned against a differentiated set of guest needs and occasions, EVEN Hotels (targeting wellness-minded travellers) and HUALUXE Hotels and Resorts (targeting the accomplished Chinese business elite) are clear examples of IHG s strong commitment to innovation. For both of these brands, our focus in 2015 has been on securing distribution in prime locations in order to build equity with guests and owners and to demonstrate the distinct nature of these brands.

EVEN Hotels

Following the opening of our first two EVEN Hotels in Rockville (MD) and Norwalk (CT) in The Americas in 2014, we opened a further property in New York Times Square South in 2015, and completed additional signings in attractive locations, such as Miami and Seattle. These properties, alongside additional pipeline properties in, for example, New York and Omaha, take the total hotel pipeline to eight. Our investment in developing our first two EVEN hotels has allowed us to refine the brand s proposition and commercial proof of concept, which, in turn, is helping to build momentum in signings.

HUALUXE Hotels and Resorts

In 2015, we opened our first three HUALUXE Hotels and Resorts properties in Haikou, Yangjiang and Nanchang (Greater China), which have been well-received by guests. With a further 21 hotels in the pipeline in prime cities, including Shanghai and Beijing, we are focused on building distribution in attractive locations in key cities across Greater China.

Table of Contents

IHG hotels in the boutique segment

126

Boutique hotels in the IHG pipeline

81

Building preferred brands We opened our first three HUALUXE Hotels and Resorts properties in 2015, in Haikou, Yangjiang and Nanchang (all in Greater China).

China-Ready programme

Whilst we continue to deploy brands, such as HUALUXE Hotels and Resorts, to capture growth opportunities in Greater China, we also recognise the importance of the Chinese outbound opportunity. To capture this growing group of potential guests, we have continued in 2015 the roll-out of our China-Ready programme to 84 hotels in key Chinese outbound destinations across The Americas, Europe and AMEA. Our accredited hotels now have Mandarin-speaking staff and frontline teams who have received cultural training in order to better serve our Chinese guests. China-Ready hotels have already seen a 1.5 per cent increase in guest satisfaction, and we expect more hotels to adopt this programme in 2016.

Growing our industry-leading

boutique presence

Together with Hotel Indigo, our recent acquisition of Kimpton Hotels & Restaurants (Kimpton) has given IHG a market-leading position in the boutique segment, with 126 hotels open and 81 hotels in the pipeline (source: Smith Travel Research).

Hotel Indigo

We continue to strengthen the positioning of Hotel Indigo through innovative marketing campaigns such as Flavours of the Neighbourhood and Sounds of the Neighbourhood locally inspired food and music programmes for guests and the wider community. These campaigns allow guests to have unique, local experiences and also drive greater awareness of the Hotel Indigo brand.

Kimpton Hotels & Restaurants

This year, we have also been carefully managing the integration of the Kimpton business with IHG to ensure we preserve the uniqueness and ethos of the brand and its people. By maintaining Kimpton s San Francisco headquarters, we have been able to retain highly talented individuals from across the organisation. In addition, we have also focused on establishing IHG protocols and procedures in relation to our HR, Legal and Finance functions, and putting in place an effective approach to ensure successful integration of commercial platforms (such as mobile and websites).

Powered by IHG s global scale, digital and mobile platforms and complementary brand portfolio, we see significant growth opportunities for Kimpton in the US and globally in 2016. Whilst we saw the exit of seven Kimpton hotels in San Francisco due to specific issues, these exits have not impacted our broader growth plans for the brand. In 2015, we achieved record levels of hotel openings (1,157 rooms) and signings growth (1,532 rooms) for the brand. In January 2016, we also signed our first Kimpton property outside the US, in Amsterdam (the Netherlands).

Table of Contents

Our Winning Model in action: executing our strategy continued

2. Transforming our loyalty proposition

Enhancements to our loyalty programme in 2015 have enabled us to offer more personal, relevant and rewarding connections across our sizeable membership.

Meaningful Membership: Transforming Membership in The Age of I The fourth in our series of Trend Reports.

Making loyalty more customised, tailored and rewarding

By building a strong, complementary brand portfolio, we are able to offer solutions for multiple guest needs, increasing our ability to cross-sell across brands and to establish lifetime relationships with our guests. Guests with increased loyalty to IHG have a higher spend per stay, driving higher RevPAR premiums, lowering distribution costs and consequently strengthening our owner offer. In addition, a strong loyalty programme is also critical to increasing awareness and recognition of the IHG brand portfolio.

Supported by deep consumer insights, including our latest 2016 Trends Report (see box below right), we are enriching our loyalty proposition by taking a more relationship-focused approach. In 2015, we have made important enhancements to IHG Rewards Club, our loyalty programme, enabling us to offer more personal, relevant and rewarding connections across our sizeable membership base.

Introducing a new membership level

Launched in July 2015, our new IHG Rewards Club membership tier, Spire Elite, has been designed to recognise and reward our most loyal guests, building an even deeper relationship with those members who stay with us most frequently.

Through Spire Elite, we are better able to reward members who reach this status, by offering new benefits and choices. For example, these members receive 100 per cent more bonus points on every qualifying stay an industry first and, upon reaching Spire Elite status, the choice between receiving 25,000 points or gifting Platinum Elite level status to a friend or family member for a year. We have also restructured qualification requirements for all membership levels in 2015 to make it easier for our members to be rewarded for their loyalty and achieve Gold Elite or Platinum Elite level status.

We also announced that, from May 2016, we will expire all points for IHG Rewards Club members if they have not earned or redeemed any points at all in the previous 12 months, so that we can reward the members who stay with us most often.

More meaningful guest engagement

In 2015, we have enhanced our customer relationship management system, allowing us to offer a more personal experience. Across our hotels, new tools have been introduced to provide hotel staff with more information on arriving guests, including details of previous stay experiences and specific stay preferences. With this information, our hotels are able to provide a more tailored guest experience during the stay.

Through a series of trials with new programme members, we have also refined our communication strategy, to ensure we offer guests the most relevant and timely information across multiple channels, such as mobile, email and web. Also launched in 2015, Accelerate , our multi-brand promotion, is enabling us to engage with IHG Rewards Club members in more appealing ways, by offering a wide range of relevant rewards that appeal across member levels. This promotion has already seen strong uptake among our members.

Relevant rewards

Strategic promotional partnerships play an important role in enhancing, and improving the visibility of, our loyalty proposition, as well as allowing us to provide unique experiences for our members. Our relationship with Uber (US only), announced in 2015, enables IHG Rewards Club members to request cab rides and set ride reminders through the award-winning IHG App. Likewise, new Uber users in the US now receive 2,000 IHG Rewards Club points and $20 off their first ride with Uber.

Through the launch of IHG Business Rewards in April 2015, an extension of IHG Rewards Club, we have improved our corporate loyalty offer, enabling travel managers to earn IHG

Rewards Club points for their companies business in a single global programme. IHG Business Rewards is providing opportunities for us to improve relationships with our corporate accounts.

Finally, we have relaunched our Rewarding Experiences online catalogue, which showcases a wide range of points-redemption options, ranging from electronic products through to air miles, available through IHG Rewards Club for members of all levels. Digital Rewards, for example, appeals to guests who only wish to redeem a few points by giving them the ability to instantly download music, books and movies. Meanwhile, IHG Rewards Club Auctions lets members use their points to bid on exclusive once-in-a-lifetime experiences and prize packages.

The enhancements to our loyalty proposition in 2015 are already exciting guests and leading to stronger commercial outcomes. For example, we have experienced a year-on-year increase of 1.2 per cent in the proportion of revenue contributed by loyalty members, alongside a significant acceleration in enrolments to IHG Rewards Club across all regions.

Meaningful Membership: Transforming Membership in The Age of I

We have published the fourth in our series of Trends Reports, which focus on consumer insights impacting the hospitality industry and business more broadly.

Our 2016 report challenges brands to engage with consumers in a way that builds loyal membership communities. It unveils a new set of principles for doing this, as consumers increasingly demand inclusivity and individuality at the same time.

See www.ihgplc.com/trends_report for further details on our series of Trends Reports.

Table of Contents

3. Making our direct channels the preferred way to book

Lowest Price Promise Our innovative campaign to increase direct bookings.

Our pilot Lowest Price Promise campaign for Holiday Inn Express in the UK means the lowest rates on our brand.com website for IHG Rewards Club members.

Driving direct, high-quality revenues for our owners

Our global scale and the strength of our digital capabilities enable us to offer strong levels of system delivery, with direct and indirect channels delivering 73 per cent of total rooms revenue for our hotels in 2015. We are focused on driving value to our owners through our low-cost direct channels, which, in turn, deliver better owner returns. Enhancements to IHG Rewards Club in 2015 are an important way in which we are driving more profitable, direct bookings to our hotels.

In close collaboration with our owner community, we have also introduced a number of additional initiatives in 2015 (detailed below) which are helping to make our direct channels the preferred way for guests to book their stays with us.

Launching innovative campaigns

In 2015, we piloted our Lowest Price Promise campaign for Holiday Inn Express in the UK and Ireland, where we guarantee the lowest rates on our brand.com website for IHG Rewards Club members, providing a clear incentive for guests to become part of IHG Rewards Club and book through IHG s direct channels. This pilot has driven a material increase in direct bookings, driving a 19 per cent shift to our web channel, and we will be extending this initiative to other markets in 2016.

Embedding revenue management practices

We have delivered revenue management training across each of our regions in 2015, providing hotel staff with insight and guidance on how to optimise the mix of bookings from different sales channels, in order to deliver the most profitable revenues to hotels. In addition, we continue to grow usage of our revenue management service, Revenue

Management for Hire , which provides hotels with dedicated revenue management experts, supported by our proprietary strategic pricing tools, such as Perform with Price Optimisation .

Improving digital channels and driving digital innovation

Our direct digital channels (which include our brand.com websites and mobile app) deliver over 20 per cent of our rooms revenue and have now collectively become IHG s largest channel. During the year, we have continued to invest in developing compelling content and innovative functionality for these channels, in order to drive more profitable direct bookings and to enhance the guest experience. For example, in 2015 we launched content-rich websites for five brands which provide a more engaging booking experience. We also made multiple enhancements to our award-winning mobile app, such as piloting Mobile Folio (allowing guests to view hotel bills in real time) and IHG Guest Request (allowing guests to make in-stay service requests).

Strategic relationship with Amadeus

In April 2015, we announced the second phase of our strategic relationship with Amadeus to develop a next-generation, cloud-based Guest Reservation System (GRS) to replace HOLIDEX, IHG s proprietary reservation system. The new state-of-the-art guest reservation solution will be a first for the hotel industry, and will enable us to deliver an enhanced and more personalised guest experience across every stage of the Guest Journey , along with enriched commercial outcomes for owners. The system is currently in development, and a phased roll-out will start in 2017. It will provide our hotels with a robust global platform to manage guest interaction and the personalisation of their experience, and will deliver a standardised, scalable and flexible global technology ecosystem.

Table of Contents

Doing business responsibly

A commitment to operating our business responsibly underpins our entire strategy. It is brought to life through our culture and is embedded in all aspects of the way we work.

See **www.ihgplc.com/responsiblebusiness** for further information about our commitment to responsible business practices.

Doing the right thing in the right way allows us to have a positive impact on the lives of all those who interact with IHG.

Corporate responsibility

We are committed to making our communities a better place for all. Our colleagues around the world genuinely care about the well-being of our guests and the impact we have on local communities and businesses. We work to develop new and better ways to assist owners to build and operate IHG-branded hotels, creating sustainable shared value for our brands and our stakeholders, as well as addressing social and environmental challenges. Our five-year corporate responsibility targets, released in September 2013, focus on measuring the positive impact we have, which is part of our commitment to responsible business practices (see box to the right).

Social and community

Each one of our hotels is a central part of its community, from creating jobs and stimulating local economic opportunities, to providing shelter in times of need. Our social and communities agenda focuses on two core programmes:

- **IHG® Academy:** a collaboration between our hotels and education providers that helps people develop the skills they need to improve their employability and secure a job in the hotel industry; and
- **disaster relief and preparedness (IHG® Shelter in a Storm):** we empower our hotels to support guests, colleagues and local communities in times of need with financial support, vital supplies and accommodation.

Environment

We take steps to manage our environmental impact in a responsible way. By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners as well as meet the expectations of all our stakeholders. We achieve this objective through our core environmental initiative:

- **the IHG Green Engage™ system:** our group-wide online sustainability programme helps hotels manage the use of energy, carbon, water and waste, and minimise their overall environmental impact.

Human rights

We focus on those areas of human rights most relevant to our activities, and we work to ensure our values are reflected consistently across our business. Building on our launch of the human rights standard in 2014, in 2015 we launched an e-learning module to raise further awareness of our human rights approach. We are a signatory to the UN Global Compact, aligning our operations and strategies with the 10 universal principles, which include commitments to human rights and labour standards. We are part of the Business in the Community cross-industry working group on human rights, as well as the International Tourism Partnership s Human Trafficking Working Group.

We report on diversity in our supply chain and set targets to ensure that corporate responsibility criteria, including human rights standards, are integrated into the selection and evaluation process for preferred suppliers. Our Vendor Code of Conduct sets out those standards to which we require our supply-chain operators to adhere.

Our culture of responsible business

In a climate where employees, guests and other stakeholders are seeking confirmation that companies share their values, the things we do to embed a culture of responsible business across the Group contribute to the credibility and value of IHG s brands. These include:

- strong governance and leadership, which promote responsible business attitudes and behaviours throughout IHG;
- ensuring our colleagues understand key legal and reputational issues and our Winning Ways (see page 17);
- engaging in responsible procurement;
- ensuring the safety and security of employees, guests and other visitors to our hotels and offices; and
- operating effective risk management and internal controls.

More details on how we manage these areas in order to enhance and protect IHG s reputation are provided on pages 25 to 27 and in the Responsible Business Report

(see URL above).

Table of Contents

Risk management

Our robust and effective risk management system continues

to evolve, enabling our business to achieve its strategic

objectives, and deliver sustainable, long-term growth

and a commitment to responsible business practices.

Our Winning Model and risk

The combination of our strategy (see pages 14 and 15) and business model (see pages 12 and 13) creates both opportunities and inherent risks and uncertainties. The Board is ultimately accountable for the effectiveness of the risk management and internal control systems, and is supported by the Audit Committee, the Executive Committee and other delegated committees, which oversee our risk management system and ensure that risks are appropriately identified and managed within IHG s risk appetite.

Risk appetite

IHG s risk appetite is reflective of the nature and extent of risk that the Board and IHG are willing to take and manage in pursuit of our strategic and other objectives. This is then cascaded through the goals we set, the strategy we choose, the decisions we make and how we allocate resources. Specific limits and guidelines for risk-taking are reflected in our governance committees and structures, our policies (eg our delegation of authority policy), and the targets we select.

Our risk management system

Our system for managing risk is fully integrated with the way we run the business through our culture, our management controls and our reporting. Our Global Risk Management function is responsible for the support, enhancement and monitoring of the effectiveness of this system, which encompasses the key areas below.

Risk and culture

Tone, attitudes, ethical values and policies

IHG s culture is supportive of considered and conscious risk-taking in pursuit of business objectives, and is embedded through, for example, our Winning Ways (see page 17) and our Code of Conduct, which consolidates and clarifies our ethical values and expected standards of behaviour.

The Code of Conduct, available at

Governance and committee structures

IHG has an operational committee structure in place, which includes regional operating and expenditure committees, franchise and management deal approval committees, and compliance committees, to ensure effective oversight and review of the Group s activities. These committees oversee, manage and mitigate risk in relation to their activities.

www.ihgplc.com/investors under corporate governance, is applicable to all Directors, officers and employees. It is supported by an e-learning programme and key policies in areas such as bribery, gifts and entertainment, and handling personal data. We also have a confidential disclosure channel to provide employees with a means to report any ethical concerns they may have.

We continue to review and adjust management committees in light of changing business needs and to ensure they support effective and efficient decision-making, including appropriate consideration of risk.

In 2015, we have confirmed and reinforced committee accountabilities in relation to our brand and marketing activities, our programme portfolio management, and our owner strategy.

i h

Risk and control management

Three lines of defence

As well as continued reinforcement of first line accountability for risk management, we have continued to enhance our capability in second line subject matter expertise. In 2015, this has included enhancements to procurement and HR processes, and continuing focus on regulatory compliance. Third line independent assurance is primarily provided by Global Internal Audit, whose audit plan is aligned with the Group s principal risks.

Risk and strategy

In developing our strategy, we seek to mitigate or exploit a number of strategic risks to our business. Our strategic planning process involves the Executive Committee and relevant regions and functions, who develop plans that consider and address strategic risks, business-as-usual operational risks and financial control and compliance considerations within the framework of our broader risk appetite.

i h

Risk monitoring and reporting

Risk and performance monitoring

Risk and performance information is crucial to effective management of known risks. Through regular review of key risk indicators and progress against our KPIs (see pages 28 to 31), and our internal performance measures monitored in connection with delivering our winning culture (see page 18), we are able to monitor risk trends and emerging risks effectively.

Principal risk reporting

IHG s principal risk review process engages management to identify, assess, manage and monitor the principal risks and uncertainties affecting the Group, considering risks related to our strategy, operations and to our financial reporting and compliance responsibilities, reporting to the Board and Audit Committee on a biannual basis. Our principal risk review is described overleaf.

Table of Contents

Risk management *continued*

IHG s principal risks, uncertainties and review process

The external risk environment remains dynamic, with changes in political, economic, social, technological, legal and environmental risks. However, the Group s asset-light business model, diverse brand portfolio and wide geographical spread contribute to IHG s resilience to events that could affect specific segmental or geographical areas. Our Risk Working Group, chaired by the General Counsel and Company Secretary and comprised of the heads of Global Risk Management, Global Strategy, and Global Internal Audit, provides input on, and oversight of, the principal risk review process, which identifies and assesses risks for ongoing monitoring and review by senior management.

The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. These risks are reviewed formally by the Directors on a biannual basis and are considered in more detail through the activities of the Board and Committees (see pages 61 and 62). The table below describes our principal risks and uncertainties, which align with our strategic priorities (see page 14). These principal risks are supplemented by a broader description of risk factors set out on pages 156 to 159.

How the external environment for each principal risk has changed over the past year (risk trends)		**How each principal risk links to our strategic priorities**	
		Winning Model	Targeted Portfolio
Increased risk	No change in risk	Disciplined Execution	Responsible Business

Risk description	**Trend**	**Impact**	**How do we manage these risks?**
Preferred brands and loyalty A portfolio of clearly defined and consistently delivered brands which meet increasingly personalised guest needs and occasions is crucial for creating brand preference, loyalty and advocacy, and failure to deliver this could impact our competitive positioning, our ability to drive growth and our reputation with			Each of the brands in our portfolio is designed to meet specific guest needs and occasions through distinct and complementary brand propositions informed by guest research and insights (see pages 4 and 5). We continually review ways to increase awareness of, and loyalty to, our brands through our loyalty programme, IHG Rewards Club, as well as global and local marketing promotions, sponsorships and specific brand initiatives (see page 20).

guests, owners and investors.	We manage brand consistency through the entire hotel life cycle, supported by clear contractual terms, new hotel opening processes, brand standard requirements and compliance processes. Tools, training and guidance assist owners and those working at our hotels to deliver brand consistency. We continue to evaluate our brand portfolio and extend the portfolio where necessary, through developing new brands (HUALUXE, EVEN) or acquisitions (Kimpton). Additionally, significant analysis is given to brand presence in priority markets and the business ability to grow in these markets.
Leadership and talent Failure to recruit and retain the right leadership talent and to give them the tools, guidance and support to be successful could impact IHG s delivery and ability to drive our strategic ambition.	We have in place a comprehensive global people strategy (see pages 17 and 18) to ensure we are able to recruit, retain and develop talent at our hotels, corporate offices and central reservations offices. Supplementing the global strategy, we have developed localised people strategies for some of our priority markets. Our leadership framework, support tools, and training and development programmes help our people grow their careers, thereby managing internal talent. We proactively manage succession planning at all levels and consider the diversity (more broadly than gender) of our people and leadership. IHG Academy assists us to fill our talent pipeline whilst supporting local communities (see page 24).
Channel management and technology platforms Failure to maintain and enhance our booking and distribution channels and technology infrastructure could impact on our ability to deliver revenue, meet evolving guest expectations and generate returns for our owners and investors.	We recognise that technological advances, the growth of intermediaries and the sharing economy, and changing guest expectations (see pages 10 and 11) mean that we must continually invest in, and improve, our technological systems to deliver across the Guest Journey and to build lifetime relationships with our guests. Our focus is on encouraging guests to use direct booking channels. However, recognising that some travellers use intermediaries, we seek to secure better terms with those intermediaries for our hotels. Our Global Technology function works collaboratively with specialist third-party technology providers continuously to monitor, manage and optimise our systems and channels to enhance all aspects of the Guest Journey , and this includes testing the resilience of our systems through business continuity practices.
Owner proposition Failure to maintain strong relationships with owners, and to	We build relationships with owners through a variety of methods, including formal and informal communications and the IHG Owners Association.

demonstrate attractive returns on investment, could impact the retention and growth of IHG s System size and development pipeline.

IHG works closely with the IHG Owners Association to ensure we have insight into owners perspectives, particularly with respect to new programmes, initiatives and the use of the System Fund (described on page 47).

Long-term franchise and management contracts, new hotel opening teams and processes, Hotel Solutions (our internal online portal which provides tools and guidance to hotels across a number of operational areas) and the wider corporate infrastructure are put in place to leverage scale, support our hotels and maintain relationships with owners throughout the life cycle of the hotel.

We closely monitor the performance of our revenue delivery systems and are focused on delivering a strong return on investment for our hotel owners.

In 2015, we have assessed in further detail the principal risks relating to IHG s reputation and how we will enable future performance.

Risk description	Trend	Impact	How do we manage these risks?
Safety and security Safety and security risks are inherent to all hotel operations, complicated by continuing geopolitical instability threats in markets where IHG operates. Failure to operate an appropriate risk management system which safeguards our guests and employees could impact IHG s reputation.			Safety and security is of paramount importance to IHG and an extensive safety and security risk management system is in place. The safety and security risk management system includes risk and threat assessment, policies and standards, training programmes, performance and risk monitoring, and reporting and analysis. Our operational safety and security teams comprise team members with extensive subject matter expertise and experience, who provide support to line management to equip them to plan for, and respond to, incidents when they occur.
Cybersecurity and information governance Threats to the security of guest and other sensitive information held and used by IHG are increasing and failure to manage these could impact our operations, result in fines and undermine stakeholder trust in our business.			We take cybersecurity and information governance very seriously and have applied risk-based methods to build capability and resilience into our systems and processes. We manage information security to contain the risk and reduce the Group s exposure, tightly controlling sensitive information through limited and monitored access. We continue to aim to be fully compliant with Payment Card Industry Data Security Standards (PCI DSS), using tools and services with respect to payment-card processing from leading specialist third-party providers.
Programme and project delivery IHG is currently delivering a number of large and complex business change programmes and failure to manage these effectively could impact the value realised from our investments.			Our programme management capability is overseen by our Strategic Portfolio Management team who ensure strategic alignment and prioritisation of key programmes, develop organisational capability through training and implementation of the Group s project delivery approaches and tools, and independently monitor the progress of key organisational change programmes. This team is supported by regional and functional project management teams, who manage and monitor specific programmes and projects.

Legal, regulatory and ethical compliance

While the hotel sector is not subject to stringent industry-specific regulations, the global business environment is evolving, with regulators enhancing their enforcement activity.

Our regulatory compliance programme works to identify and respond to relevant regulatory requirements. These include, but are not limited to, anti-bribery and corruption, data privacy and antitrust. These programmes consist of policies, communications and training, and are supported by confidential disclosure channels and ongoing monitoring procedures.

Additionally, we continue to monitor key legal and ethical developments relevant to our business model, intellectual property and operations.

Financial management and control

Increased public scrutiny, litigation and regulatory investigation have once again highlighted the need for companies to ensure that their financial reporting, controls and management systems are robust.

The maintenance of a sound financial reporting and control environment is achieved through an effective policy framework, training programmes, and layered performance and review processes.

IHG has a mature, experienced and stable global finance function, encompassing specialist groups including, but not limited to, the following teams: Group Tax, Group Treasury, Procurement and Cost Efficiency; Global BSC Operations; Global and Regional Financial Planning and Analysis; Global Financial Reporting; and Governance and Compliance (including compliance with the Sarbanes-Oxley Act 2002).

Viability statement

In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighting downside risks that would threaten the business model, future performance, solvency and liquidity of the Group more heavily than opportunities. The scenarios included a severe but plausible downturn similar to the financial crisis that occurred from 2008 to 2009 and a reverse stress test of the business starting from the presumption of the Group having insufficient liquidity to continue trading. In the severe scenarios, the Directors also considered actions that would be taken if such events became a reality.

The Directors have determined that the three-year period to 31 December 2018 is an appropriate period to be covered by the viability statement as each year the Group s planning process builds into a robust three-year plan. The detailed three-year plan takes into consideration the principal risks outlined on pages 26 to 27, the Group s strategy, and current market conditions. The plan then forms the basis for strategic actions taken across the business. The plan is reviewed annually by the Directors and approved towards the end of the calendar year. Once approved, the plan is then cascaded to the business and used to set performance metrics and objectives. Performance against those metrics and objectives is then regularly reviewed by the Directors.

The Directors have assessed the viability of the Group over a three-year period to 31 December 2018, taking account of the Group s current position, the Group s strategy and the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

Table of Contents

Key performance indicators (KPIs)

We measure our performance through a set of carefully selected KPIs, which monitor our success in achieving our strategy and the progress of our Group to deliver high-quality growth. The KPIs are organised around the framework of our strategy our Winning Model and Targeted Portfolio underpinned by Disciplined Execution and doing business responsibly.

KPIs	2015 status	2016 specific priorities
Winning Model and Targeted Portfolio		
Net rooms supply Net total number of IHG rooms in the IHG System	87% of open rooms are in priority markets 90% of pipeline rooms are in priority markets	Continue to accelerate growth in our 10 priority markets and key city locations in order to achieve further scale benefits. Support growth of EVEN and HUALUXE brands in The Americas and Greater China respectively, and Kimpton in The Americas and internationally.
Growth in fee revenues Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.	78.4k rooms signings, the highest in seven years	
Total gross revenue from	$4.2bn digital revenues	Continue to drive adoption and impact of our revenue management tools, systems and processes amongst our owners.

hotels in IHG s System

Total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Other than for owned and leased hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties

System contribution to revenue

The percentage of room revenue delivered through IHG s direct and indirect systems and channels.

delivered in 2015, up by 12% on 2014

58%

of hotels in The Americas adopting IHG s revenue management service

Work collaboratively with Amadeus on the development of our next-generation Guest Reservation System, whilst continuing to build cutting-edge digital technology.

Following our successful pilot in Europe, roll out our Lowest Price Promise initiative in other markets to make our direct channels the preferred way to book.

Focus on driving greater revenue contribution from IHG Rewards Club members.

[a] Excluding the acquisition of Kimpton (11,325 rooms), net rooms growth was 3.2%.

Table of Contents

Link between KPIs and Directors remuneration

KPIs which could have an impact on the performance measures for remuneration plans:

Annual Performance Plan

Long Term Incentive Plan

KPIs	2015 status	2016 specific priorities
Global RevPAR growth Revenue per available room: rooms revenue divided by the number of room nights that are available.	69 Holiday Inn Express hotels with the next-generation room design opened in 2015	Accelerate the roll-out and adoption of our IHG Frontline training platform across all IHG hotels, enabling our people to deliver consistently great guest experiences that build brand preference. Focus on driving consistency and quality across our Crowne Plaza portfolio in the US. Continue to invest in brand innovation, such as the Holiday Inn Open Lobby, the Holiday Inn Express next-generation room design, and the Crowne Plaza WorkLife room. Embed further improvements to measuring guest satisfaction in our hotels.
Guest HeartBeat IHG s guest satisfaction measurement indicator.	200+ external recognitions for our brands and hotels in 2015	

Table of Contents

Key performance indicators (KPIs) continued

KPIs	2015 status	2016 specific priorities
Disciplined Execution		
Fee margins Operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases and significant liquidated damages.	1.6ppt growth in fee margin in 2015	Accelerate the roll-out of our online procurement system (Procure to Pay), allowing us to monitor and control spend and use our scale to deliver buying advantage. Continue to enhance our Hotel Ready processes and communications with hotels, to ensure effective delivery of the most critical hotel initiatives.
Employee Engagement survey scores Average of our biannual Employee Engagement survey, completed by employees and those who work in our managed hotels (excluding our joint ventures).	2.6ppt increase in Employee Engagement scores in 2015	Continue to focus on developing our winning culture , in particular encouraging more regular and open performance conversations, and on embedding performance management processes. Drive adoption of improvements to our human resources systems to further our ability to develop and retain talent.
Doing business responsibly		
Number of people participating in	1,215 IHG Academy programmes across	Continue to provide skills and improved employability to people via IHG Academy, ensuring a positive impact for local people, our owners and IHG.

IHG® Academy programmes	68 countries	Roll out the enhanced IHG Academy online tool to enable quality growth in the programme, including increased engagement with our franchise hotels.

Table of Contents

Link between KPIs and Directors remuneration

KPIs which could have an impact on the performance measures for remuneration plans:

- Annual Performance Plan
- Long Term Incentive Plan

KPIs	2015 status	2016 specific priorities
***Doing business responsibly** continued*		
Value of monetary donations and in-kind support to communities, including through IHG® Shelter in a Storm	27 disasters in 17 countries responded to by IHG Shelter in a Storm	Continue to enable our hotels to respond quickly and effectively in times of disaster.
Carbon footprint per occupied room	3.9% reduction in carbon footprint per occupied room (to 31.53 $kgCO_2e$) on a 2012 baseline across our entire estate	Continue to reduce our carbon footprint across our entire estate. Continue to drive adoption and quality use of the IHG Green Engage system across our entire estate.

Water use per occupied room in water-stressed areas	4.8%[b] reduction in water use per occupied room (by $0.03m^3$) on a 2012 baseline in water-stressed areas	Continue to reduce water use across our entire estate, with a particular focus on hotels in water-stressed areas. Work with the Water Footprint Network to identify actions that hotels can adopt to improve their water stewardship, enabling further reductions in water use.

Table of Contents

Performance

Group

Group results

			12 months ended 31 December		
	2015 $m	**2014 $m**	2015 vs 2014% change	2013 $m	2014 vs 2013% change
Revenue					
Americas	**955**	**871**	9.6	916	(4.9)
Europe	**265**	**374**	(29.1)	400	(6.5)
AMEA	**241**	**242**	(0.4)	230	5.2
Greater China	**207**	**242**	(14.5)	236	2.5
Central	**135**	**129**	4.7	121	6.6
Total	**1,803**	**1,858**	(3.0)	1,903	(2.4)
Operating profit					
Americas	**597**	**544**	9.7	550	(1.1)
Europe	**78**	**89**	(12.4)	105	(15.2)
AMEA	**86**	**84**	2.4	86	(2.3)
Greater China	**70**	**89**	(21.3)	82	8.5
Central	**(151)**	**(155)**	2.6	(155)	
Operating profit before exceptional items	**680**	**651**	4.5	668	(2.5)
Exceptional operating items	**819**	**29**		5	480.0
	1,499	**680**	120.4	673	1.0
Net financial expenses	**(87)**	**(80)**	(8.8)	(73)	(9.6)
Profit before tax	**1,412**	**600**	135.3	600	
Earnings per ordinary share					
Basic	**520.0¢**	**158.3¢**	228.5	140.9¢	12.3
Adjusted	**174.9¢**	**158.3¢**	10.5	158.3¢	
Average US dollar to sterling exchange rate	**$1: £0.65**	**$1: £0.61**	6.6	$1: £0.64	(4.7)

Accounting principles

The Group results are prepared under International Financial Reporting Standards (IFRS). The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on pages 98 and 99 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this Performance review are calculated after eliminating these exceptional items. Such indicators are prefixed with adjusted . An analysis of exceptional items is included in note 5 on page 107 of the Group Financial Statements.

Highlights for the year ended 31 December 2015

During the year ended 31 December 2015, revenue decreased by $55m (3.0%) to $1,803m primarily as a result of the disposal of owned hotels in line with the Group s asset-light strategy. Operating profit before exceptional items increased by $29m (4.5%) to $680m.

On 16 January 2015, the Group completed the acquisition of Kimpton Holding Group LLC (Kimpton) for cash consideration of $430m before working capital adjustments and cash acquired, resulting in the addition of 62 hotels (11,325 rooms) into the IHG System.

On 20 May 2015, the Group completed the sale of InterContinental Paris Le Grand for gross proceeds of 330m and, on 30 September 2015, the Group completed the sale of InterContinental Hong Kong for proceeds of $928m after final working capital adjustments and cash tax.

On an underlyinga basis, revenue and operating profit increased by $113m (8.0%) and $67m (11.5%) respectively. The underlying results exclude the impact of owned hotel disposals in 2015 and the prior year, the results of managed-lease hotels, Kimpton, and significant liquidated damages receipts (2015: $3m; 2014: $7m).

Comparable Group RevPAR increased by 4.4% (including an increase in average daily rate of 3.1%), with growth across all regions. IHG System size increased by 4.8% (3.2% excluding the Kimpton acquisition) to 744,368 rooms, whilst Group fee revenueb increased by 7.5% (3.0% excluding Kimpton).

At constant currency, net central overheads increased by $5m (3.2%) to $160m compared to 2014 (but at actual currency decreased by $4m (2.6%) to $151m).

Group fee margin was 46.3%, up 1.6 percentage points (up 1.3 percentage points at constant currency) on 2014, after adjusting for owned and leased hotels, managed leases, Kimpton, and significant liquidated damages. Group fee margin benefited from strong growth in IHG s scale markets, reflecting scale benefits and tight overhead control.

Profit before tax increased by $812m to $1,412m, primarily due to the gain on the sale of InterContinental Paris Le Grand and InterContinental Hong Kong. Basic earnings per ordinary share increased by 228.5% to 520.0¢, whilst adjusted earnings per ordinary share increased by 10.5% to 174.9¢.

For definitions in this section, please refer to the Glossary

on pages 176 and 177.

Table of Contents

Highlights for the year ended 31 December 2014

Revenue decreased by $45m (2.4%) to $1,858m and operating profit before exceptional items decreased by $17m (2.5%) to $651m during the year ended 31 December 2014, due in part to the disposal of owned hotels in line with the Group s asset-light strategy.

On 27 March 2014, IHG completed the disposal of its freehold interest in InterContinental Mark Hopkins San Francisco for gross proceeds of $120m and a long-term contract to manage the hotel. On 31 March 2014, IHG completed the disposal of 80% of its interest in InterContinental New York Barclay for gross proceeds of $274m and a 30-year management contract with two 10-year extension rights, retaining the remaining 20% in a joint venture set up to own and refurbish the hotel.

On 7 August 2014, the Group received a binding offer to acquire InterContinental Paris Le Grand for gross proceeds of 330m and a 30-year management contract with three 10-year extension rights. The offer was subsequently accepted on 8 December 2014, with the transaction expected to complete by the end of the first half of 2015, subject to the satisfaction of certain standard conditions.

On an underlying[a] basis, revenue and operating profit increased by $94m (6.0%) and $57m (9.6%) respectively. The underlying results exclude InterContinental Mark Hopkins San Francisco and InterContinental New York Barclay whilst under IHG ownership, the results of managed-lease hotels, and the benefit of $7m liquidated damages receipts in 2014 and $46m liquidated damages receipts in 2013.

Comparable Group RevPAR increased by 6.1% (including an increase in average daily rate of 2.7%), led by particularly strong growth of 7.4% in The Americas. Group System size increased by 3.4% to 710,295 rooms, whilst Group fee revenueb increased by 6.7%.

At constant currency, net central overheads decreased by $3m (1.9%) to $152m compared to 2013 (but at actual currency remained flat at $155m), helped by continued cost control, as well as additional technology fee income.

Group fee margin was 44.7%, up 1.5 percentage points on 2013, after adjusting for owned and leased hotels, managed leases, and significant liquidated damages. Group fee margin benefited from strong growth in IHG s scale markets.

Profit before tax of $600m was unchanged on 2013. Basic earnings per ordinary share increased by 12.3% to 158.3¢, whilst adjusted earnings per ordinary share remained flat at 158.3¢.

Global total gross revenue

	12 months ended 31 December		
	2015	2014	%
	$bn	$bn	change

InterContinental	**4.5**	4.7	(4.3)
Kimpton	**1.1**		
Crowne Plaza	**4.2**	4.2	
Hotel Indigo	**0.3**	0.3	
Holiday Inn	**6.2**	6.4	(3.1)
Holiday Inn Express	**6.1**	5.7	7.0
Staybridge Suites	**0.8**	0.7	14.3
Candlewood Suites	**0.7**	0.6	16.7
Other	**0.1**	0.2	(50.0)
Total	**24.0**	22.8	5.3

One measure of IHG System performance is the growth in total gross revenue, defined as total rooms revenue from franchised hotels, and total hotel revenue from managed, owned and leased hotels. Other than owned and leased hotels, total gross revenue is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties.

Total gross revenue increased by 5.3% (11.4% increase at constant currency) to $24.0bn, driven by IHG System size and comparable RevPAR growth, partially offset by the negative impact of foreign exchange movements.

[a] Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

[b] Fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.

Table of Contents

Performance continued

Group continued

Global hotel and room count

	Hotels		Rooms	
At 31 December	**2015**	Change over 2014	**2015**	Change over 2014
Analysed by brand				
InterContinental	**184**	4	**62,040**	805
Kimpton	**61**	61	**10,976**	10,976
HUALUXE	**3**	3	**798**	798
Crowne Plaza	**406**		**113,284**	(278)
Hotel Indigo	**65**	4	**7,664**	933
EVEN Hotels	**3**	1	**446**	150
Holiday Inn[a]	**1,226**	14	**228,100**	2,941
Holiday Inn Express	**2,425**	60	**236,406**	7,296
Staybridge Suites	**220**	15	**23,964**	1,555
Candlewood Suites	**341**	19	**32,328**	1,620
Other	**98**	11	**28,362**	7,277
Total	**5,032**	192	**744,368**	34,073
Analysed by ownership type				
Franchised	**4,219**	123	**530,748**	15,764
Managed	**806**	71	**211,403**	19,282
Owned and leased	**7**	(2)	**2,217**	(973)
Total	**5,032**	192	**744,368**	34,073

[a] Includes 47 Holiday Inn Resort properties (11,518 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms) (2014: 42 Holiday Inn Resort properties (9,904 rooms) and 12 Holiday Inn Club Vacations properties (4,027 rooms)).

During 2015, the global IHG System (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 192 hotels (34,073 rooms) to 5,032 hotels (744,368 rooms).

Openings of 273 hotels (44,427 rooms) were 8.2% higher than in 2014 and the highest level since 2009. Openings in The Americas included 130 hotels (14,963 rooms) in the Holiday Inn brand family and seven Kimpton hotels (1,157 rooms). 32 hotels (9,380 rooms) were opened in Greater China in 2015, with the Europe and AMEA regions contributing openings of 36 hotels (5,493 rooms) and 22 hotels (6,612 rooms) respectively. 143 hotels (21,679 rooms) were removed in 2015, an increase from the previous year (123 hotels, 17,630 rooms), demonstrating our continued commitment to quality.

Global pipeline

At 31 December	Hotels 2015	Hotels Change over 2014	Rooms 2015	Rooms Change over 2014
Analysed by brand				
InterContinental	**52**	2	**15,676**	12
Kimpton	**18**	18	**3,366**	3,366
HUALUXE	**21**	(3)	**6,632**	(919)
Crowne Plaza	**84**	(8)	**23,181**	(2,155)
Hotel Indigo	**63**		**9,208**	112
EVEN Hotels	**8**	5	**1,262**	678
Holiday Inn[b]	**256**	(13)	**52,204**	(509)
Holiday Inn Express	**602**	80	**75,605**	12,651
Staybridge Suites	**114**	15	**12,641**	1,733
Candlewood Suites	**98**	9	**8,720**	1,003
Other	**14**	4	**5,421**	4,172
Total	**1,330**	109	**213,916**	20,144
Analysed by ownership type				
Franchised	**905**	62	**102,169**	7,439
Managed	**424**	47	**111,545**	12,707
Owned and leased	**1**		**202**	(2)
Total	**1,330**	109	**213,916**	20,144

[b] Includes 14 Holiday Inn Resort properties (3,548 rooms) (2014: 18 Holiday Inn Resort properties (4,412rooms)).

At the end of 2015, the global pipeline totalled 1,330 hotels (213,916 rooms) including 18 Kimpton hotels (3,366 rooms), an increase of 109 hotels (20,144 rooms) on 31 December 2014. The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid. Approximately 90% of the closing pipeline at 31 December 2015 is in our 10 priority markets.

Group signings increased from 463 hotels (69,696 rooms) in 2014 to 474 hotels (78,438 rooms) in 2015, the strongest level since 2008. This included 306 hotels (47,676 rooms) signed for the Holiday Inn brand family, up by 4.7% compared to 2014, 27.0% of which were contributed by Greater China (48 hotels, 12,878 rooms).

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 108 hotels (17,004 rooms), compared to 96 hotels (15,333 rooms) in 2014.

The Americas

Maximise the performance and growth of our portfolio of preferred brands, focusing on our core upper midscale and upscale segments, mostly through franchise agreements, over the next three years.

Industry performance in 2015

In 2015, industry RevPAR in The Americas increased by 6.7%, driven by a 2.3% increase in demand and a 5.5% increase in average daily rate. On the supply side, the number of available rooms increased by 1.3%, the first time in five years that supply growth has exceeded 1%. All industry segments experienced robust RevPAR growth driven by growth in average daily rate. RevPAR in the upper midscale segment, where the Holiday Inn and Holiday Inn Express brands operate, increased by 5.5%, driven by a 4.0% increase in average daily rate.

In the US, the lodging industry demand continued to outpace GDP, which increased 2.4%   the same level as 2014. Industry room demand set records in all months this year apart from August, while supply growth continued to move upwards, reaching 1.1%, (still below the 1.9% per annum historic average). Average daily rate growth of 4.4% drove a 6.3% increase in US RevPAR. US upper midscale RevPAR increased 6.3%, while US upscale RevPAR increased 5.6%. In Canada, industry RevPAR increased by 3.4%, driven by a 4.2% increase in average daily rate, and in Mexico, RevPAR increased by 19.1%, due to an 18.6% increase in average daily rate.

IHG s regional performance in 2015

IHG s comparable RevPAR in The Americas increased 4.6%, driven by 3.8% average daily rate growth. The region is predominantly represented by the US, where comparable RevPAR increased 4.7%. RevPAR in our upper midscale brands in the US increased slightly behind the segment, with RevPAR for the Holiday Inn brand increasing 5.0% whilst that for the Holiday Inn Express brand increased by 4.3%, however our absolute occupancy was higher than the industry. Our US upscale brands (Crowne Plaza and Hotel Indigo) performed ahead of the upscale segment, increasing

RevPAR by 6.6% and 7.5% respectively. Our US upper upscale brand, Kimpton, saw RevPAR increase by 4.1%. In Canada, our RevPAR increased by 0.9%, and Mexico increased by 10.1%, both behind industry growth.

Strong demand for IHG-branded hotels continued, with 37,655 rooms signed, and the pipeline increasing by 10,189 rooms during 2015. We continued to demonstrate our commitment to quality, with 14,709 rooms leaving the IHG System.

Americas comparable RevPAR movement on previous year

			12 months ended 31 December 2015
Franchised		**Managed**	
Crowne Plaza	6.7%	InterContinental	2.4%
		Kimpton	4.1%
Holiday Inn	4.6%	Crowne Plaza	9.6%
Holiday Inn Express	4.1%	Holiday Inn	5.7%
All brands	4.6%	Staybridge Suites	4.2%
		Candlewood Suites	6.7%
		All brands	4.7%
		Owned and leased	
		All brands	6.7%

Progress against 2015 regional priorities

Increased System size by opening 183 new hotels (including 93 Holiday Inn Express and 33 Holiday Inn hotels) and signing 325 additional hotels.

Expanded distribution in New York City by opening three key hotels (under the EVEN, Hotel Indigo and Holiday Inn brands) and also commenced renovation of InterContinental New York Barclay. IHG now has 34 hotels open and 15 hotels in its pipeline in New York City.

Progressed the multi-year Crowne Plaza transformation by adding five pipeline hotels, achieving a record level of guest satisfaction for the brand and driving improved revenue performance through new marketing campaigns and focused hotel action-planning.

Built strong momentum with Holiday Inn Express through implementation of the brand s new hotel design (see page 20). 59 open hotels have adopted the full design or incorporated key design elements in 2015 and an additional 318 hotels signed up during the year.

IHG s 2016 regional priorities

1. Grow quality System size through driving signings, working with owners to accelerate openings, assisting hotels to improve their performance, and continuing to support hotel performance.
2. Increase brand quality and differentiation with a focus on installing new room designs across Holiday Inn and Crowne Plaza (see page 20), implementing a full hotel design for Holiday Inn Express and continuing to increase the quality and delivery of food and beverage offerings.
3. Deliver superior revenue contribution through an improved owner-centric hotel support model and sales and revenue management capabilities.

Source: Smith Travel Research for all of the above industry facts.

Table of Contents

Performance continued

The Americas continued

Americas results

			12 months ended 31 December		
	2015 **$m**	**2014** **$m**	2015 vs 2014% change	2013 $m	2014 vs 2013% change
Revenue					
Franchised	**661**	**630**	4.9	576	9.4
Managed	**166**	**103**	61.2	128	(19.5)
Owned and leased	**128**	**138**	(7.2)	212	(34.9)
Total	**955**	**871**	9.6	916	(4.9)
Percentage of Group revenue	**53.0**	**46.9**	6.1	48.1	(1.2)
Operating profit before exceptional items					
Franchised	**575**	**544**	5.7	499	9.0
Managed	**64**	**47**	36.2	74	(36.5)
Owned and leased	**24**	**18**	33.3	30	(40.0)
	663	**609**	8.9	603	1.0
Regional overheads	**(66)**	**(65)**	(1.5)	(53)	(22.6)
Total	**597**	**544**	9.7	550	(1.1)
Percentage of Group operating profit before central overheads and exceptional items	**71.9**	**67.5**	4.4	66.8	0.7

Highlights for the year ended 31 December 2015

With 3,840 hotels (479,575 rooms), The Americas represented 64% of the Group s room count and 72% of the Group s operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. The key profit-producing region is the US, although the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 88% of rooms in the region are operated under the franchise business model, primarily in the upper midscale segment (the Holiday Inn brand family). In the upscale segment, Crowne Plaza is predominantly franchised whereas, in the luxury segment, InterContinental-branded hotels are operated under both franchise and management agreements. Kimpton operates under the managed model within the upper upscale segment. 11 of the Group s 12 hotel brands are represented in The Americas.

Revenue and operating profit before exceptional items increased by $84m (9.6%) to $955m and by $53m (9.7%) to $597m respectively. On an underlying[a] basis, revenue increased by $71m (8.8%), while operating profit increased by $53m (9.9%), driven predominantly by strong RevPAR growth in the fee business and an increase in net rooms. The underlying results exclude both InterContinental Mark Hopkins San Francisco and InterContinental New York Barclay whilst under IHG ownership, managed leases, Kimpton, and the benefit of significant liquidated damages receipts (2015: $3m; 2014: $7m).

Franchised revenue increased by $31m (4.9%) to $661m, including the impact of the $7m liquidated damages receipts in 2014 (7.9% excluding these liquidated damages and on a constant currency basis). Royalties[b] growth of 5.1% was driven by comparable RevPAR growth of 4.6%, including 4.6% for Holiday Inn and 4.1% for Holiday Inn Express, together with 1.2% rooms growth. Operating profit increased by $31m (5.7%) to $575m, including an $8m increase in fees associated with the initial franchising and relicensing of hotels. Excluding the benefit of significant liquidated damages (2015: $nil; 2014: $7m), and on a constant currency basis, operating profit increased by $47m (8.8%) to $584m.

Managed revenue increased by $63m (61.2%) to $166m, and operating profit increased by $17m (36.2%) to $64m. Revenue and operating profit included $38m (2014: $38m) and $nil (2014: $nil) respectively from one managed-lease property. Kimpton contributed $59m to managed estate revenue and $18m to operating profit, including $3m of significant liquidated damages. Managed operating profit was impacted by costs relating to our 20% interest in InterContinental New York Barclay during its refurbishment (2015: $4m; 2014: $5m). Excluding results for both Kimpton and managed-lease hotels and on a constant currency basis, revenue increased by $9m (13.8%) and operating profit increased by $2m (4.3%).

Owned and leased revenue decreased by $10m (7.2%) to $128m, and operating profit increased by $6m (33.3%) to $24m, following the disposal of two owned hotels (InterContinental Mark Hopkins San Francisco and an 80% interest in InterContinental New York Barclay) during 2014. Excluding these two hotels and on a constant currency basis, owned and leased revenue and operating profit increased by $13m and $5m, respectively, reflecting improved trading at InterContinental Boston and at Holiday Inn Aruba.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items decreased by $45m (4.9%) to $871m and by $6m (1.1%) to $544m respectively. On an underlyinga basis, revenue increased by $71m (9.7%), while operating profit increased by $39m (7.8%), driven predominantly by strong RevPAR growth in the fee business and an increase in net rooms. Regional overheads increased by 22.6% to $65m following investment in IHG s development and quality teams and unusually high healthcare costs. Revenue and operating profit were negatively impacted by the disposal of an 80% interest in InterContinental New York Barclay and the disposal of InterContinental Mark Hopkins San Francisco during the year, by a combined $95m and $21m respectively compared to 2013. Conversely, revenue and operating profit were positively impacted by the benefit of $7m liquidated damages receipts in 2014 in the franchised business relating to two exited hotels, compared to $31m in the managed business in 2013.

Franchised revenue increased by $54m (9.4%) to $630m including the benefit of the $7m liquidated damages receipts (8.2% excluding these liquidated damages). Royalties growth of 7.6% was driven by comparable RevPAR growth of 7.2%, including 7.9% for Holiday Inn and 7.0% for Holiday Inn Express, together with 2.0% rooms growth. Operating profit increased by $45m (9.0%) to $544m.

Managed revenue decreased by $25m (19.5%) to $103m and operating profit decreased by $27m (36.5%) to $47m. Revenue and operating profit included $38m (2013: $34m) and $nil (2013: $nil) respectively from one managed-lease property. Excluding results from this hotel, as well as the $31m liquidated damages in 2013 (2014: $nil), revenue increased by $3m (4.8%) and operating profit increased by $4m (9.3%) on a constant currency basis.

Owned and leased revenue decreased by $74m (34.9%) to $138m and operating profit decreased by $12m (40.0%) to $18m. The decrease in revenue and operating profit were driven by the disposal of an 80% interest in InterContinental New York Barclay, and the disposal of InterContinental Mark Hopkins San Francisco (combined negative impact of $95m and $21m respectively). Excluding these two hotels, owned and leased revenue and operating profit increased by $21m and $9m respectively reflecting strong trading at InterContinental Boston and post refurbishment performance at Holiday Inn Aruba.

Table of Contents

Americas hotel and room count

At 31 December	Hotels 2015	Hotels Change over 2014	Rooms 2015	Rooms Change over 2014
Analysed by brand				
InterContinental	**50**		**17,109**	212
Kimpton	**61**	61	**10,976**	10,976
Crowne Plaza	**172**	(9)	**46,316**	(2,050)
Hotel Indigo	**40**	1	**5,071**	520
EVEN Hotels	**3**	1	**446**	150
Holiday Inn[c]	**772**	2	**135,995**	(285)
Holiday Inn Express	**2,106**	46	**186,972**	4,371
Staybridge Suites	**211**	14	**22,662**	1,462
Candlewood Suites	**341**	19	**32,328**	1,620
Other	**84**	6	**21,700**	2,582
Total	**3,840**	141	**479,575**	19,558
Analysed by ownership type				
Franchised	**3,548**	71	**422,230**	5,015
Managed	**287**	70	**55,715**	14,543
Owned and leased	**5**		**1,630**	
Total	**3,840**	141	**479,575**	19,558
Percentage of Group hotel and room count	**76.3**	(0.1)	**64.4**	(0.4)

[c] Includes 23 Holiday Inn Resort properties (5,902 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms) (2014: 20 Holiday Inn Resort properties (4,864 rooms) and 12 Holiday Inn Club Vacations properties (4,027 rooms)).

The Americas System size increased by 141 hotels (19,558 rooms), including the acquisition of 62 Kimpton hotels (11,325 rooms), to 3,840 hotels (479,575 rooms) during 2015. 183 hotels (22,942 rooms) opened in the year, compared to 178 hotels (20,823 rooms) in 2014. Openings included 130 hotels (14,963 rooms) in the Holiday Inn brand family, representing 65.2% of the region s openings, and seven Kimpton hotels (1,157 rooms).

104 hotels (14,709 rooms) were removed from The Americas System in 2015, demonstrating our continued commitment to quality, compared to 95 hotels (12,230 rooms) in 2014. 44.0% of 2015 room removals were Holiday Inn rooms in the US (31 hotels, 6,466 rooms) compared to 45.0% in 2014 (34 hotels, 5,499 rooms). Eight Kimpton hotels (1,506 rooms) exited The Americas System in 2015.

Americas pipeline

	Hotels		Rooms	
At 31 December	**2015**	Change over 2014	**2015**	Change over 2014
Analysed by brand				
InterContinental	**4**	(3)	**1,545**	(792)
Kimpton	**18**	18	**3,366**	3,366
Crowne Plaza	**15**	(3)	**2,490**	(716)
Hotel Indigo	**30**	(1)	**4,024**	(235)
EVEN Hotels	**8**	5	**1,262**	678
Holiday Inn[d]	**125**	(14)	**18,203**	(1,952)
Holiday Inn Express	**449**	60	**43,945**	6,820
Staybridge Suites	**105**	15	**11,230**	1,636
Candlewood Suites	**98**	9	**8,720**	1,003
Other	**13**	3	**1,599**	381
Total	**865**	89	**96,384**	10,189
Analysed by ownership type				
Franchised	**809**	69	**85,863**	6,883
Managed	**55**	20	**10,319**	3,308
Owned and leased	**1**		**202**	(2)
Total	**865**	89	**96,384**	10,189

[d] Includes seven Holiday Inn Resort properties (1,657 rooms) (2014: nine Holiday Inn Resort properties (1,916 rooms)).

At 31 December 2015, The Americas pipeline totalled 865 hotels (96,384 rooms), including 18 Kimpton hotels (3,366 rooms), representing an increase of 89 hotels (10,189 rooms) over the prior year. Strong signings of 325 hotels (37,655 rooms) were ahead of last year by six hotels, but lower by 453 rooms. The majority of 2015 signings were within the Holiday Inn brand family (208 hotels, 22,826 rooms) but also included 10 Kimpton hotels (1,532 rooms) and 78 hotels (7,607 rooms) for our extended-stay brands, Staybridge Suites and Candlewood Suites.

69 hotels (7,661 rooms) were removed from the pipeline in 2015, up slightly in terms of both hotels and rooms from 2014 (64 hotels, 7,108 rooms).

[a] Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

[b] Royalties are fees, based on rooms revenue, that a franchisee pays to the brand owner for use of the brand name.

Table of Contents

Performance continued

Europe

Continue to grow in priority markets and key cities, whilst driving brand preference, focusing on quality and innovation in guest experience, over the next three years.

Industry performance in 2015

The hotel industry in Europe is influenced by the larger markets in the region, in particular the UK and Germany. In 2015, RevPAR increased 7.5% across the region, driven by a 2.8% increase in demand and a 5.4% growth in average daily rate. RevPAR growth in the UK was 4.5%, driven by a 3.9% increase in average daily rate and a 2.3% increase

in demand. In Germany, RevPAR saw strong growth of 6.5%, driven by a 4.3% growth in average daily rate and a 2.8% increase in demand. Russia saw growth of 11.9% driven by a 6.0% increase in average daily rate.

IHG s regional performance in 2015

IHG s regional comparable RevPAR increased by 5.4%, driven by average daily rate growth of 3.9%. The UK achieved strong growth of 5.1%, ahead of the industry, led by average daily rate driven growth in both London and the provinces. In Germany, RevPAR increased by 4.4%, and in Russia, RevPAR declined slightly by 1.6% both behind the market. Across the rest of Europe, our RevPAR increased by mid-single digits, despite challenging trading conditions in Paris in the last quarter of the year.

Europe comparable RevPAR movement on previous year

	12 months ended 31 December 2015
Franchised	
All brands	5.3%
Managed	
All brands	6.2%

Progress against 2015 regional priorities

Signed 48 hotels, of which 11 are in the UK, 14 are in Germany, and 8 are in Russia and the Commonwealth of Independent States (CIS). It was our largest number of signings in Germany for the second year running.

Achieved an excellent year for InterContinental in Europe, with five hotel signings and three openings, including the landmark InterContinental London The O2 and InterContinental Bordeaux Le Grand.

Improved guest experience through the implementation of the new Holiday Inn Express hotel design (see page 20).

Launched the Lowest Price Promise campaign, providing a clear incentive for guests to become part of IHG Rewards Club and book through our direct channels.

10 properties completed the roll-out of the next-generation design in 2015 and an additional 83 hotels signed up during the year.

Enhanced operations support with a dedicated Luxury and Boutique Operations division, restructured the franchise support teams and introduced a central operations support team.

IHG s 2016 regional priorities

1. Continue to build IHG System size through driving growth in our priority markets of the UK, Germany, and Russia and the CIS, and across key cities, localising our brands as necessary.
2. Continue to improve guest experience and increase satisfaction by focusing on quality and driving innovation to ensure our brands are preferred.
3. Roll out our Lowest Price Promise initiative into additional markets in Europe post the successful pilot in the UK (see page 23).

Source: Smith Travel Research for all of the above industry facts.

Europe results

	12 months ended 31 December				
	2015 $m	2014 $m	2015 vs 2014% change	2013 $m	2014 vs 2013% change
Revenue					
Franchised	**104**	**104**		104	
Managed	**131**	**159**	(17.6)	156	1.9
Owned and leased	**30**	**111**	(73.0)	140	(20.7)
Total	**265**	**374**	(29.1)	400	(6.5)
Percentage of Group revenue	**14.7**	**20.1**	(5.4)	21.0	(0.9)
Operating profit before exceptional items					
Franchised	**77**	**78**	(1.3)	79	(1.3)
Managed	**28**	**30**	(6.7)	30	
Owned and leased	**1**	**14**	(92.9)	30	(53.3)
	106	**122**	(13.1)	139	(12.2)
Regional overheads	**(28)**	**(33)**	15.2	(34)	2.9
Total	**78**	**89**	(12.4)	105	(15.2)
Percentage of Group operating profit before central overheads and exceptional items	**9.4**	**11.0**	(1.6)	12.8	(1.8)

Highlights for the year ended 31 December 2015

Comprising 660 hotels (106,711 rooms) at the end of 2015, Europe represented 14% of the Group s room count and 9% of the Group s operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. Revenues are primarily generated from hotels in the UK and continental European gateway cities. The largest proportion of rooms in Europe are operated under the franchise business model primarily in the upper midscale segment (Holiday Inn and Holiday Inn Express). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised, whereas, in the luxury segment, the majority of InterContinental-branded hotels are operated under management agreements.

Revenue and operating profit before exceptional items decreased by $109m (29.1%) to $265m and by $11m (12.4%) to $78m respectively. This was primarily due to InterContinental Paris Le Grand becoming a managed property and the negative impact of significant foreign exchange translation movement. On an underlyinga basis, revenue and operating profit increased by $13m (7.5%) and $17m (23.3%) respectively, with the transition of 61 UK managed hotels to franchise contracts driving an increase in underlying franchise fees, and cost efficiencies reducing regional overheads. Overall, comparable RevPAR in Europe increased by 5.4%, with the UK increasing by 5.1%, led by rate growth in both London and the provinces, and Germany growing by 4.4%.

Franchised revenue remained flat at $104m, whilst operating profit decreased by $1m (1.3%) to $77m. On a constant currency basis, revenue and operating profit increased by $15m (14.4%) and $11m (14.1%) respectively, following the transition of UK managed hotels to franchise contracts.

Managed revenue decreased by $28m (17.6%) and operating profit decreased by $2m (6.7%). Revenue and operating profit included $75m (2014: $90m) and $1m (2014: $2m) respectively from managed leases. Excluding properties operated under this arrangement, and on a constant currency basis, revenue decreased by $2m (2.9%) and operating profit increased by $3m (10.7%), impacted by the transition of UK managed hotels to franchise contracts.

The one remaining hotel in the owned and leased estate,

InterContinental Paris Le Grand, was sold on 20 May 2015 for gross proceeds of 330m. Owned and leased revenue decreased by $81m (73.0%) to $30m and operating profit decreased by $13m (92.9%) to $1m.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items decreased by $26m (6.5%) to $374m and by $16m (15.2%) to $89m respectively. On an underlying[a] basis, revenue and operating profit increased by $4m (1.4%) and $3m (3.5%) respectively. Overall, comparable RevPAR in Europe increased by 5.1%. The UK achieved a particularly strong comparable RevPAR growth of 8.9%, with double-digit growth in the first and third quarters. Comparable RevPAR in Germany was also strong, increasing by 4.1%, driven by continued growth in domestic output and a rise in employment, whilst IHG hotels in the Commonwealth of Independent States (CIS) collectively experienced a comparable RevPAR decline of 4.0%, reflecting a challenging economic climate in the region during 2014.

Franchised revenue remained flat at $104m, whilst operating profit decreased by $1m (1.3%) to $78m. Excluding the benefit of a $9m liquidated damages receipt in 2013, revenue and operating profit increased by $8m (8.4%) and $8m (11.4%) respectively at constant currency. This underlying growth was mainly driven by an increase in royalties of 8.0%, reflecting comparable RevPAR growth of 5.3%, together with 5.7% rooms growth.

Managed revenue increased by $3m (1.9%) to $159m, whilst operating profit was flat with 2013 at $30m. Revenue and operating profit included $90m (2013: $89m) and $2m (2013: $2m) respectively from managed leases. Excluding properties operated under this arrangement and on a constant currency basis, revenue increased by $3m (4.5%), whilst operating profit was flat. At the end of 2014, IHG commenced a process to restructure the majority of its UK managed hotels to new franchised contracts.

In the owned and leased estate, revenue decreased by $29m (20.7%) to $111m and operating profit decreased by $16m (53.3%) to $14m. At constant currency and excluding the impact of the disposal of InterContinental London Park Lane (which contributed revenue and operating profit of $22m and $8m respectively in 2013), owned and leased revenue and operating profit both decreased by $7m. These declines were driven by InterContinental Paris Le Grand due to the refurbishment of the Salon Opera ballroom in the first half of 2014. The hotel delivered revenue and operating profit of $111m and $15m respectively, a decrease of 5.9% and 34.8% compared to 2013, whilst RevPAR decreased by 4.7%.

[a] Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

Table of Contents

Performance continued

Europe continued

Europe hotel and room count

	Hotels		Rooms	
At 31 December	**2015**	Change over 2014	**2015**	Change over 2014
Analysed by brand				
InterContinental	**32**	2	**9,886**	514
Crowne Plaza	**88**	5	**20,269**	874
Hotel Indigo	**19**	2	**1,790**	222
Holiday Inn[a]	**285**	1	**46,150**	428
Holiday Inn Express	**228**	2	**27,525**	387
Staybridge Suites	**6**	1	**877**	93
Other	**2**		**214**	(15)
Total	**660**	13	**106,711**	2,503
Analysed by ownership type				
Franchised	**615**	50	**94,410**	10,394
Managed	**45**	(36)	**12,301**	(7,421)
Owned and leased		(1)		(470)
Total	**660**	13	**106,711**	2,503
Percentage of Group hotel and room count	**13.1**	(0.3)	**14.3**	(0.4)

[a] 2015 and 2014 include two Holiday Inn Resort properties (212 rooms).

During 2015, Europe System size increased by 13 hotels (2,503 rooms) to 660 hotels (106,711 rooms). The Group opened 36 hotels (5,493 rooms) in Europe in 2015, compared to 35 hotels (5,353 rooms) in 2014. Openings included the landmark 453-room InterContinental London The O2 and the 130-room InterContinental Bordeaux Le Grand.

23 hotels (2,990 rooms) left the Europe System in the period, compared to 17 hotels (3,211 rooms) in the previous year.

Europe pipeline

	Hotels		Rooms	
At 31 December	**2015**	Change over 2014	**2015**	Change over 2014
Analysed by brand				

InterContinental	**5**	2	**882**	37
Crowne Plaza	**11**	(3)	**2,673**	(244)
Hotel Indigo	**11**	(1)	**1,403**	35
Holiday Inn	**37**		**7,834**	890
Holiday Inn Express	**45**	1	**7,198**	824
Staybridge Suites	**4**		**511**	97
Other			**31**	
Total	**113**	(1)	**20,532**	1,639
Analysed by ownership type				
Franchised	**88**	(7)	**14,127**	131
Managed	**25**	6	**6,405**	1,508
Total	**113**	(1)	**20,532**	1,639

The Europe pipeline totalled 113 hotels (20,532 rooms) at 31 December 2015, representing a decrease of one hotel (although an increase of 1,639 rooms) over 31 December 2014. New room signings reached their highest level since 2007 with 8,826 rooms, an increase of 1,022 rooms from the prior year (although number of hotels remained flat at 48). Signings included 11 hotels (2,444 rooms) in the UK and 14 hotels (2,371 rooms) in Germany, a record number in the latter country for the second year running.

13 hotels (1,694 rooms) were removed from the pipeline in 2015, compared to nine hotels (1,337 rooms) in 2014.

Table of Contents

Asia, Middle East and Africa (AMEA)

Execute our strategic plans to strengthen our brands and increase our revenue share through enhanced guest satisfaction and greater loyalty contribution, over the next three years.

Industry performance in 2015

RevPAR growth in AMEA was 3.6%, driven primarily by a 3.2% gain in average daily rate. In line with improving GDP growth, Japan saw strong RevPAR growth of 14.8% due to both average daily rate, which increased by 13.1%, and demand, which increased by 2.8%. In contrast, Australia saw RevPAR increase 3.2%, composed of a 1.9% growth in average daily rate and a 3.0% increase in demand. Thailand saw RevPAR increase by a strong 13.1%, driven by 15.1% demand growth.

Growth was more modest in India and Saudi Arabia, where RevPAR increased by 5.0% and 0.9% respectively. RevPAR in the United Arab Emirates (UAE) declined by 6.7%, driven by a 6.2% decrease in average daily rate. In Indonesia, RevPAR declined by 6.1% due to a 5.3ppt decrease in occupancy.

IHG s regional performance in 2015

Across this large region, IHG is widely represented both geographically and by brand, and comparisons across the industry are hard to make. Overall, IHG regional comparable RevPAR increased 4.5%, driven through both occupancy and average daily rate growth. Performance was led by strong positive trading in the mature market of Japan, where RevPAR increased by 14.6%, marginally below the market. Australia increased ahead of the industry at 4.5%; however the Middle East increased by 0.2%, impacted by declining oil prices. Our RevPAR growth in India and Indonesia was significantly ahead of the industry at 6.4% and 1.3%, respectively.

AMEA comparable RevPAR movement on previous year

	12 months ended 31 December 2015
Franchised	
All brands	(0.5)%
Managed	

All brands	5.4%

Progress against 2015 regional priorities

- Strengthened our position in the region s priority markets and gateway cities with the opening of 22 hotels, including new InterContinental hotels in the UAE, Indonesia and India.
- Increased our hotel pipeline by over 3,800 rooms with 35 new signings, eight of which were converted and rebranded within the year.
- Continued to expand our brand portfolio in AMEA with the successful launch of Hotel Indigo Bangkok Wireless Road which opened in the first quarter of 2015, with additional Hotel Indigo properties in Dubai, Bali and Phuket entering the pipeline.
- Delivered RevPAR growth of 4.5%, supported by targeted marketing investments in the Middle East and South East Asia, despite challenging economic and security conditions in parts of the region.

IHG s 2016 regional priorities

1. Further accelerate System size growth across our brand portfolio in established, and emerging, key gateway cities and resort destinations through new constructions and hotel conversions.
2. Deliver above-market RevPAR growth through enhanced levels of guest satisfaction and loyalty contribution, particularly for the InterContinental and Holiday Inn brands.
3. Continue to invest in our people across the region to enable their ability to deliver excellent guest service, innovative marketing and promotional partnerships and superior financial performance for our owners.
4. Build upon the momentum of our winning culture (see page 18), which is focused on driving performance and empowering the business to respond with speed and agility in a diverse and dynamic region.

Source: Smith Travel Research for all of the above industry facts.

Table of Contents

***Performance** continued*

***Asia, Middle East and Africa (AMEA)** continued*

AMEA results

	12 months ended 31 December				
	2015 $m	**2014 $m**	2015 vs 2014% change	2013 $m	2014 vs 2013% change
Revenue					
Franchised	**16**	**16**		16	
Managed	**189**	**187**	1.1	170	10.0
Owned and leased	**36**	**39**	(7.7)	44	(11.4)
Total	**241**	**242**	(0.4)	230	5.2
Percentage of Group revenue	**13.3**	**13.0**	0.3	12.1	0.9
Operating profit before exceptional items					
Franchised	**12**	**12**		12	
Managed	**90**	**88**	2.3	92	(4.3)
Owned and leased	**3**	**3**		4	(25.0)
	105	**103**	1.9	108	(4.6)
Regional overheads	**(19)**	**(19)**		(22)	13.6
Total	**86**	**84**	2.4	86	(2.3)
Percentage of Group operating profit before central overheads and exceptional items	**10.4**	**10.5**	(0.1)	10.4	0.1

Highlights for the year ended 31 December 2015

Comprising 267 hotels (72,573 rooms) at 31 December 2015, AMEA represented 10% of the Group s room count and contributed 10% of the Group s operating profit before central overheads and exceptional operating items during the year. 83% of rooms in AMEA are operated under the managed business model.

Revenue decreased by $1m (0.4%) to $241m, whilst operating profit before exceptional items increased by $2m (2.4%) to $86m, both adversely impacted by foreign exchange translation. On an underlyinga basis, revenue and operating profit increased by $13m (6.5%) and $7m (8.7%) respectively.

Comparable RevPAR increased 4.5%, driven by growth in both rate and occupancy. Performance was led by strong positive trading in the mature markets of Japan, which grew by 14.6%, and Australia, which increased by 4.5%. South East Asia exhibited growth of 5.7%, however the Middle East increased by 0.2%, impacted by declining oil prices.

Franchised revenue and operating profit remained flat at $16m and $12m respectively. On a constant currency basis, revenue and operating profit increased by $1m (6.3%) and $1m (8.3%) respectively.

Managed revenue increased by $2m (1.1%) to $189m and operating profit increased by $2m (2.3%) to $90m. Comparable RevPAR increased by 5.4%, with the majority of rooms opening in the last quarter of 2015. Revenue and operating profit included $46m (2014: $41m) and $5m (2014: $4m) respectively from one managed-lease property. Excluding results from this hotel and on a constant currency basis, revenue increased by $9m (6.2%), whilst operating profit increased by $6m (7.1%).

In the owned and leased estate, revenue decreased by $3m (7.7%) to $36m and operating profit remained flat at $3m. On a constant currency basis, revenue increased by $3m (7.7%) and operating profit increased by $1m (33.3%).

Highlights for the year ended 31 December 2014

Revenue increased by $12m (5.2%) to $242m whilst operating profit before exceptional items decreased by $2m (2.3%) to $84m. On an underlyinga basis, revenue increased by $5m (2.5%) and operating profit increased by $4m (5.1%). The results included a $6m benefit from liquidated damages received in 2013 (2014: $nil). AMEA is a geographically diverse region and performance was impacted by political and economic factors, affecting different countries.

Comparable RevPAR increased 3.8% driven by 2.4% rate growth. Performance was led by the Middle East, up 5.6%, driven by a solid performance in Saudi Arabia and a recovery in Egypt. This was supported by positive trading in the mature markets of Japan, which grew by 6.7%, and Australia, which grew by 3.9%. Elsewhere, both India and South East Asia exhibited steady growth, with the exception of Thailand, which suffered from political instability in the first half of the year.

Franchised revenue and operating profit remained flat at $16m and $12m respectively.

Managed revenue increased by $17m (10.0%) to $187m, whilst operating profit decreased by $4m (4.3%) to $88m. Revenue and operating profit included $41m (2013: $21m) and $4m (2013: $1m) respectively from one managed-lease property. Excluding results from this hotel, as well as the benefit of $6m liquidated damages in 2013 (2014: $nil), revenue increased by $7m (4.9%) whilst operating profit increased by $2m (2.4%) on a constant currency basis. Comparable RevPAR increased by 4.4%, with room count increasing by 5.9%.

In the owned and leased estate, revenue and operating profit decreased by $5m (11.4%) to $39m and by $1m (25.0%) to $3m respectively, due to a 6.3% decrease in RevPAR.

AMEA hotel and room count

At 31 December	Hotels 2015	Hotels Change over 2014	Rooms 2015	Rooms Change over 2014
Analysed by brand				
InterContinental	**68**	1	**21,238**	(186)
Crowne Plaza	**71**	2	**20,011**	323
Hotel Indigo	**1**	1	**192**	192
Holiday Inn[b]	**91**	6	**20,984**	1,234
Holiday Inn Express	**27**	3	**5,886**	591
Staybridge Suites	**3**		**425**	
Other	**6**	1	**3,837**	2,543
Total	**267**	14	**72,573**	4,697
Analysed by ownership type				
Franchised	**52**	2	**11,924**	355
Managed	**213**	12	**60,062**	4,342
Owned and leased	**2**		**587**	
Total	**267**	14	**72,573**	4,697
Percentage of Group hotel and room count	**5.3**	0.1	**9.8**	0.3

[b] Includes 15 Holiday Inn Resort properties (3,169 rooms) (2014: 14 Holiday Inn Resort properties (3,003 rooms)).
The AMEA System size increased by 14 hotels (4,697 rooms) to 267 hotels (72,573 rooms) as at 31 December 2015. Openings increased by three hotels (2,384 rooms) to 22 hotels (6,612 rooms) in 2015, the highest level of room openings in AMEA since 2006. Openings in 2015 included Hotel Indigo Bangkok Wireless Road, the first Hotel Indigo in the region.

Eight hotels (1,915 rooms) were removed from the AMEA System in 2015, compared to 10 hotels (1,190 rooms) in 2014.

AMEA pipeline

At 31 December	Hotels 2015	Rooms 2015

		Change over 2014		Change over 2014
Analysed by brand				
InterContinental	**22**		**5,349**	(455)
Crowne Plaza	**19**	3	**5,301**	889
Hotel Indigo	**13**	3	**2,281**	458
Holiday Inn[c]	**45**	(5)	**11,529**	(1,701)
Holiday Inn Express	**43**	4	**9,344**	1,167
Staybridge Suites	**5**		**900**	
Other			**3,512**	3,512
Total	**147**	5	**38,216**	3,870
Analysed by ownership type				
Franchised	**8**		**2,179**	425
Managed	**139**	5	**36,037**	3,445
Total	**147**	5	**38,216**	3,870

[c] Includes four Holiday Inn Resort properties (1,071 rooms) (2014: seven Holiday Inn Resort properties (1,729 rooms)).

At 31 December 2015, the AMEA pipeline totalled 147 hotels (38,216 rooms) compared to 142 hotels (34,346 rooms) as at 31 December 2014. Room signings in AMEA were at their highest since 2008 with 35 hotels (12,441 rooms), an increase of three hotels (4,411 rooms) from the level seen in 2014. Signings in 2015 included 17 hotels (5,650 rooms) in the Holiday Inn brand family and five InterContinental hotels (833 rooms).

Eight hotels (1,959 rooms) were removed from the pipeline in 2015, compared to eight hotels (1,530 rooms) in 2014.

[a] Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

Table of Contents

Performance continued

Greater China

Further grow System size, particularly

in tier 2 and 3 cities and in the growing midscale segment, whilst developing a strong local talent pipeline for our hotels, over the next three years.

Industry performance in 2015

GDP in mainland China increased by 6.9% in 2015, continuing to slow from the 2010-2014 average of 8.6%. The decline can be attributed to decreased exports caused by slowing global demand and a strong Renminbi; however, private consumption remains solid, which helped to mitigate this trend. Hotel industry RevPAR in Greater China declined 3.4% in the year, predominately driven by average daily rate, which declined by 3.3%. Industry rooms supply growth of 4.0% slightly exceeded rooms demand growth of 3.9% in the year, resulting in an occupancy decline. RevPAR in the People s Republic of China (excluding Taiwan) decreased by 3.5% in 2015, driven by average

daily rate declining by 3.4%. The country s two largest cities in terms of hotel rooms, Beijing and Shanghai, both increased RevPAR. The former increased on robust demand growth and the latter on growth in both demand and average daily rate. The two other largest markets in the country, the wider East China and South Central China, both saw a decline in RevPAR in the year. RevPAR in Hong Kong and Macau declined by 11.5% and 13.7% respectively, both driven by declines in average daily rate and demand. In Hong Kong, average daily rate and demand decreased by 8.8% and 2.4% respectively, whilst Macau average daily rate and demand decreased by 8.6% and 0.3% respectively.

IHG s regional performance in 2015

IHG s regional comparable RevPAR increased 0.3% in 2015, significantly ahead of the industry. Our RevPAR growth was driven by occupancy, which increased by 3.4%, whilst average daily rate decreased by 3.0% both better than the industry, reflecting our scale and management strength in the region. Trading in mainland tier 1 cities was strongest, up 6.0% whilst trading in the rest of mainland China showed only marginal increases. Hong Kong and Macau experienced significant trading declines of 9.4% and 12.8% respectively. Total RevPAR was down 2.3% impacted by our strategy of using mainstream brands in less-developed cities.

Greater China comparable RevPAR movement on previous year

12 months ended 31 December 2015

Managed	
All brands	1.1%

Progress against 2015 regional priorities

- Opened 32 hotels in 2015, with more than 90% of rooms in tier 2 and 3 cities we also signed 28 Holiday Inn Express and 20 Holiday Inn hotels, driving further growth in the Chinese midscale segment.
- Expanded our new HUALUXE brand with three openings, all of which received strong guest feedback both in terms of overall guest satisfaction scores and ratings from external review sites there are now 21 properties in the pipeline (including Beijing and Shanghai).
- Implemented a talent secondment programme for our hotel General Managers and hotel leadership teams, so that our high-potential talent can learn best practices from high-performing hotels. 39 IHG Academy programmes were completed in 2015, helping to enhance our local talent pipeline.

IHG s 2016 regional priorities

1. Further increase IHG System size, with deeper penetration in tier 2 and 3 cities and strengthen the distribution of the Holiday Inn and Holiday Inn Express brands to capture the growing midscale segment opportunity.
2. Continue to build awareness and a strong pipeline for the HUALUXE brand (see page 20) and drive operational performance of opened hotels.
3. Further grow our talent and build a strong local talent pipeline, particularly in tier 2 and 3 cities.

Source: Smith Travel Research for all of the above industry facts.

Greater China results

	2015 $m	2014 $m	2015 vs 2014% change	2013 $m	2014 vs 2013% change
			12 months ended 31 December		
Revenue					
Franchised	**4**	**4**		3	33.3
Managed	**105**	**99**	6.1	92	7.6
Owned and leased	**98**	**139**	(29.5)	141	(1.4)
Total	**207**	**242**	(14.5)	236	2.5
Percentage of Group revenue	**11.5**	**13.0**	(1.5)	12.4	0.6
Operating profit before exceptional items					
Franchised	**5**	**5**		5	
Managed	**59**	**63**	(6.3)	51	23.5
Owned and leased	**29**	**42**	(31.0)	47	(10.6)
	93	**110**	(15.5)	103	6.8
Regional overheads	**(23)**	**(21)**	(9.5)	(21)	
Total	**70**	**89**	(21.3)	82	8.5
Percentage of Group operating profit before central overheads and exceptional items	**8.4**	**11.0**	(2.6)	10.0	1.0

Highlights for the year ended 31 December 2015

Comprising 265 hotels (85,509 rooms) at 31 December 2015, Greater China represented approximately 12% of the Group s room count and contributed approximately 9% of the Group s operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. 97% of rooms in Greater China are operated under the managed business model.

Revenue and operating profit before exceptional items decreased by $35m (14.5%) to $207m and by $19m (21.3%) to $70m respectively. On an underlyinga basis, revenue increased by $8m (7.8%) due to the addition of over 20,000 rooms into the managed estate over the last two years. Underlying operating profit decreased by $5m (10.6%), impacted by $5m of ongoing investment into building long-term people capability, as well as the year-on-year impact from $5m of previously disclosed one-off upsides in 2014. Overall, the region achieved comparable RevPAR growth of 0.3%, significantly ahead of the industry, reflecting our scale and management strength in the region. Trading in mainland tier 1 cities was particularly strong, whilst the rest of mainland China showed marginal increases. Trading in Hong Kong and Macau significantly declined. Total RevPAR in Greater China decreased by 2.3% as more hotels opened into developing markets.

Franchised revenue and operating profit remained flat at $4m and $5m respectively.

Managed revenue increased by $6m (6.1%) to $105m, whilst operating profit decreased by $4m (6.3%) to $59m, impacted by the above-mentioned investment in people capability and previously disclosed one-off upsides in 2014. Comparable RevPAR increased by 1.1%, whilst the Greater China System size grew by 10.4%, driving a 4.8% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 7.9%, due primarily to increased food and beverage revenue. On a constant currency basis, revenue increased by $8m (8.1%) to $107m, whilst operating profit decreased by $3m (4.8%) to $60m.

The one remaining hotel in the owned and leased estate, InterContinental Hong Kong, was sold on 30 September 2015 for proceeds of $928m after final working capital adjustments and cash tax. Owned and leased revenue decreased by $41m (29.5%) to $98m and operating profit decreased by $13m (31.0%) to $29m.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items increased by $6m (2.5%) to $242m and by $7m (8.5%) to $89m respectively. Overall, the region achieved comparable RevPAR growth of 1.6%, slightly stronger than the 1.0% growth achieved in 2013. This performance was significantly ahead of the industry, reflecting IHG s scale and management strength in the region, and was achieved in a challenging environment with slower macroeconomic conditions, government austerity measures and protests in Hong Kong. Trading was strongest in tier 1 cities, especially Shanghai and Guangzhou, with good levels of transient and corporate business. Performance in tier 2 and 3 cities continues to be impacted by new supply as these markets develop. Total RevPAR in the region decreased by 3.4% as hotels opened in these lower RevPAR markets.

Franchised revenue increased by $1m (33.3%) to $4m whilst operating profit was flat at $5m. Operating profit was higher than revenue in both 2014 and 2013 due to joint-venture dividend income received from a hotel in Hong Kong.

Managed revenue increased by $7m (7.6%) to $99m, whilst operating profit increased by $12m (23.5%) to $63m, reflecting improvements in operating margin, net rooms growth, and a small number of one-off items that contributed approximately $5m to the result. Comparable RevPAR increased by 1.3%, whilst the Greater China System size grew by 14.7%, driving a 8.5% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 7.8%.

Owned and leased revenue decreased by $2m (1.4%) to $139m, driven by a RevPAR decrease of 1.0% at InterContinental Hong Kong. Operating profit decreased by $5m (10.6%) to $42m. The decrease in revenue and operating profit at the hotel was driven primarily by the ongoing development of the area adjacent to the hotel and protests in central Hong Kong.

[a] Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

Table of Contents

Performance continued

Greater China continued

Greater China hotel and room count

At 31 December	Hotels 2015	Hotels Change over 2014	Rooms 2015	Rooms Change over 2014
Analysed by brand				
InterContinental	**34**	1	**13,807**	265
HUALUXE	**3**	3	**798**	798
Crowne Plaza	**75**	2	**26,688**	575
Hotel Indigo	**5**		**611**	(1)
Holiday Inn[a]	**78**	5	**24,971**	1,564
Holiday Inn Express	**64**	9	**16,023**	1,947
Other	**6**	4	**2,611**	2,167
Total	**265**	24	**85,509**	7,315
Analysed by ownership type				
Franchised	**4**		**2,184**	
Managed	**261**	25	**83,325**	7,818
Owned and leased		(1)		(503)
Total	**265**	24	**85,509**	7,315
Percentage of Group hotel and room count	**5.3**	0.3	**11.5**	0.5

[a] Includes seven Holiday Inn Resort properties (2,235 rooms) (2014: six Holiday Inn Resort properties (1,825 rooms)).

The Greater China System size increased by 24 hotels (7,315 rooms) in the year to 265 hotels (85,509 rooms). 32 hotels (9,380 rooms) opened during 2015, two hotels and 1,268 rooms lower than 2014. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 68% of our open rooms. The first three HUALUXE Hotels and Resorts properties (798 rooms) opened in the year. 19 Holiday Inn brand family hotels (4,567 rooms) were also added in the year, compared to 19 hotels (4,445 rooms) in 2014.

Eight hotels (2,065 rooms) were removed in 2015, compared to one hotel (999 rooms) in 2014.

Greater China pipeline

At 31 December	Hotels 2015	Hotels Change over 2014	Rooms 2015	Rooms Change over 2014

Analysed by brand				
InterContinental	**21**	3	**7,900**	1,222
HUALUXE	**21**	(3)	**6,632**	(919)
Crowne Plaza	**39**	(5)	**12,717**	(2,084)
Hotel Indigo	**9**	(1)	**1,500**	(146)
Holiday Inn[b]	**49**	6	**14,638**	2,254
Holiday Inn Express	**65**	15	**15,118**	3,840
Other	**1**	1	**279**	279
Total	**205**	16	**58,784**	4,446
Analysed by ownership type				
Managed	**205**	16	**58,784**	4,446
Total	**205**	16	**58,784**	4,446

[b] Includes three Holiday Inn Resort properties (820 rooms) (2014: two Holiday Inn Resort properties (767 rooms)).
At 31 December 2015, the Greater China pipeline totalled 205 hotels (58,784 rooms) compared to 189 hotels (54,338 rooms) at 31 December 2014. Signings (66 hotels, 19,516 rooms) were the highest since 2007, and increased from 64 hotels (15,754 rooms) in 2014. 48 hotels (12,878 rooms) were signed for the Holiday Inn brand family, with the Holiday Inn Express pipeline increasing to 65 hotels.

18 hotels (5,690 rooms) were removed from the pipeline in 2015, compared to 15 hotels (5,358 rooms) in 2014.

Central

Central results

			12 months ended 31 December		
	2015	**2014**	2015 vs 2014%	2013	2014 vs 2013%
	\$m	**\$m**	change	\$m	change
Revenue	**135**	**129**	4.7	121	6.6
Gross central costs	**(286)**	**(284)**	(0.7)	(276)	(2.9)
Net central costs	**(151)**	**(155)**	2.6	(155)	

Highlights for the year ended 31 December 2015

Net central costs decreased by \$4m (2.6%) compared to 2014 (a \$5m or 3.2% increase to \$160m at constant currency). Central revenue, which mainly comprises technology fee income, increased by \$6m (4.7%) to \$135m, driven by increases in both comparable RevPAR (4.4%) and IHG System size (4.8%, 3.2% excluding Kimpton). At constant currency, gross central costs increased by \$13m (4.6%) compared to 2014 (a \$2m or 0.7% increase at actual currency).

Highlights for the year ended 31 December 2014

Central revenue, which mainly comprises technology fee income, increased by $8m (6.6%) to $129m, driven by increases in both comparable RevPAR (6.1%) and IHG System size (3.4%) in 2014 compared to 2013. At constant currency, gross central costs increased by $4m (1.4%) compared to 2013 (an $8m or 2.9% increase at actual currency).

System Fund

System Fund assessments

	12 months ended 31 December				
	2015 $m	**2014 $m**	2015 vs 2014% change	2013 $m	2014 vs 2013% change
Assessment fees and contributions received from hotels	**1,351**	**1,271**	6.3	1,154	10.1
Proceeds from sale of IHG Rewards Club points	**222**	**196**	13.3	153	28.1
Total	**1,573**	**1,467**	7.2	1,307	12.2

In addition to franchise or management fees, hotels within the IHG System pay assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund. The System Fund also receives proceeds from the sale of IHG Rewards Club points. The System Fund is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

The System Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The operation of the System Fund does not result in a profit or loss for the Group and consequently the revenues and expenses of the System Fund are not included in the Group Income Statement.

Highlights for the year ended 31 December 2015

In the year to 31 December 2015, System Fund income increased by 7.2% to $1,573m primarily as a result of a 6.3% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 13.3% increase in proceeds from the sale of IHG Rewards Club points.

Highlights for the year ended 31 December 2014

In the year to 31 December 2014, System Fund income increased by 12.2% to $1,467m, primarily as a result of a 10.1% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 28.1% increase in proceeds from the sale of IHG Rewards Club points.

Other financial information

Exceptional operating items

Exceptional operating items totalled a net gain of $819m. The gain included $871m related primarily to the profit on sale of InterContinental Paris   Le Grand and InterContinental Hong Kong, and $9m related to the sale of an associate investment. Exceptional charges included $6m reorganisation costs relating to the completion of a project to implement more efficient processes and procedures in the Global Technology function; $5m corporate development costs; $10m Kimpton integration costs; and $36m impairment charges relating to two hotels in The Americas and an associate investment in the AMEA region. See note 5 to the Group Financial Statements which provides further detail.

Exceptional operating items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted earnings per ordinary share in order to provide a more meaningful comparison of performance.

Net financial expenses

Net financial expenses increased by $7m to $87m, reflecting the issue of £300m 3.75% public bonds in August 2015, that were used to refinance the bridging loan used to acquire Kimpton.

Financing costs included $2m (2014: $2m) of interest costs associated with IHG Rewards Club where interest is charged on the accumulated balance of cash received in advance of the redemption of points awarded. Financing costs in 2015 also included $20m (2014: $19m) in respect of the InterContinental Boston finance lease.

Taxation

The effective rate of tax on operating profit excluding the impact of exceptional items was 30% (2014: 31%). Excluding the impact of prior-year items, the equivalent tax rate would be 36% (2014: 35%). This rate is higher than the average UK statutory rate of 20.25% (2014: 21.5%), due mainly to certain overseas profits (particularly in the US) being subject to statutory rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a charge of $8m (2014: $29m). In 2015, the charge comprised $56m relating to the disposal of InterContinental Hong Kong and InterContinental Paris Le Grand, a credit of $21m in respect of the 2014 disposal of an 80% interest in InterContinental New York Barclay reflecting the judgement that state tax law changes would now apply to the deferred gain and credits of $27m for current and deferred tax relief on other operating exceptional items of current and prior years. In 2014, the charge comprised $56m relating to the disposal of an 80% interest in InterContinental New York Barclay, offset by a credit of $27m relating to a restructuring of the UK hotel portfolio and other reorganisation costs.

Net tax paid in 2015 totalled $110m (2014: $136m) including $1m (2014: $nil) in respect of disposals. Tax paid represents an effective rate of 8% (2014: 23%) on total profits and is lower than the effective income statement tax rate of 30% (2014: 31%), primarily due to exceptional accounting gains taxable on a deferred basis, without which the equivalent effective rate would be 20%. The remaining difference is primarily due to the impact of deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years, and provisions for tax for which no payment of tax has currently been made.

Table of Contents

Performance *continued*

IHG pursues a tax strategy that is consistent with its business strategy and its overall business conduct principles. This strategy seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. Policies and procedures related to tax risk management are subject to regular review and update and are approved by the Board.

Tax liabilities or refunds may differ from those anticipated, in particular as a result of changes in tax law, changes in the interpretation of tax law, or clarification of uncertainties in the application of tax law. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance.

IHG s contribution to the jurisdictions in which it operates includes a significant contribution in the form of taxes borne and collected, including taxes on its revenues and profits and in respect of the employment its business generates. IHG earns approximately 75% of its revenues in the form of franchise, management or similar fees, with almost 85% of IHG-branded hotels being franchised. In jurisdictions in which IHG does franchise business, the prevailing tax law will generally provide for IHG to be taxed in the form of local withholding taxes based on a percentage of fees rather than based on profits. Costs to support the franchise business are normally incurred regionally or globally, and therefore profits for an individual franchise jurisdiction cannot be separately determined.

Dividends

The Board has proposed a final dividend per ordinary share of 57.5¢ (40.3p). With the interim dividend per ordinary share of 27.5¢ (17.7p), the full-year dividend per ordinary share for 2015 will total 85.0¢ (58.0p), an increase of 10.4% over 2014.

In February 2016, the Board proposed a $1.5bn return of funds to shareholders by way of a special dividend and share consolidation.

Earnings per ordinary share

Basic earnings per ordinary share increased by 228.5% to 520.0¢ from 158.3¢ in 2014. Adjusted earnings per ordinary share increased by 10.5% to 174.9¢ from 158.3¢ in 2014.

Share price and market capitalisation

The IHG share price closed at £26.58 on 31 December 2015, up from £25.95 on 31 December 2014. The market capitalisation of the Group at the year end was £6.3bn.

Liquidity and capital resources

Sources of liquidity

The Group successfully refinanced its bank debt in March 2015, putting in place a $1.275bn revolving syndicated bank facility which matures in March 2020 (the Syndicated Facility), with two one-year extension options exercisable in 2016 and 2017. The Group also put in place a $75m revolving bilateral facility (the Bilateral facility) in October

2015 which also matures in March 2020 and has two one-year extension options exercisable in 2016 and 2017. The facilities were undrawn at 31 December 2015.

The Syndicated and Bilateral facilities contain the same terms and two financial covenants; interest cover; and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group is in compliance with all of the financial covenants in its loan documents, none of which is expected to present a material restriction on funding in the near future.

In August 2015, the Group issued £300m of public bonds at a 3.750% coupon rate, the lowest funding rate the Group has achieved in the sterling bond market. The bonds are repayable in 2025, extending the maturity profile of the Group s debt. This is in addition to £250m of public bonds which are repayable on 9 December 2016 and £400m of public bonds which are repayable on 28 November 2022.

Additional funding is provided by the 99-year finance lease (of which 90 years remain) on InterContinental Boston and other uncommitted bank facilities (see note 21 to the Group Financial Statements). In the Group s opinion, the available facilities are sufficient for the Group s present liquidity requirements.

Net debt of $529m (2014: $1,533m) is analysed by currency as follows.

	2015 $m	2014 $m
Borrowings		
Sterling	**1,405**	1,028
US dollar	**253**	557
Euros	**4**	103
Other	**4**	7
Cash and cash equivalents		
Sterling	**(619)**	(21)
US dollar	**(460)**	(54)
Euros	**(15)**	(25)
Canadian dollar	**(8)**	(14)
Chinese renminbi	**(4)**	(8)
Other	**(31)**	(40)
Net debt	**529**	1,533
Average debt level	**1,420**	1,322

Table of Contents

Borrowings included bank overdrafts of $39m (2014: $107m), which were matched by an equivalent amount of cash and cash equivalents under the Group s cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution, and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed daily as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position, with the most significant balances in the US, Canada, and Singapore, and the matching overdrafts are held by the Group s central treasury company in the UK.

Cash and cash equivalents include $1m (2014: $4m) that is not available for use by the Group due to local exchange controls.

Information on the maturity profile and interest structure of borrowings is included in notes 20 and 21 to the Group Financial Statements.

The Group had net assets of $319m at 31 December 2015, (net liabilities of $717m at 31 December 2014), with the increase primarily as a result of the profit on disposal of InterContinental Hong Kong. At the end of 2015, the Group was trading significantly within its banking covenants and facilities.

Cash from operating activities

Net cash from operating activities totalled $628m for the year ended 31 December 2015, up $85m on the previous year (largely due to reduced cash flows relating to exceptional operating items).

Cash flow from operating activities is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group. The Group believes that the requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

Cash from investing activities

Net cash inflows from investing activities totalled $589m, an increase of $466m over 2014. $1,314m of disposal proceeds primarily related to the disposal of InterContinental Paris Le Grand and InterContinental Hong Kong. Investing expenditure includes $438m, net of working capital adjustments and cash acquired, on the acquisition of Kimpton Hotels & Restaurants. Capital expenditure on property, plant and equipment decreased from $84m in 2014 to $42m, as the prior year included capital expenditure on InterContinental Paris Le Grand and on the first two hotels under conversion to the Group s EVEN Hotels brand.

The Group had committed contractual capital expenditure of $76m at 31 December 2015 (2014: $117m).

Cash used in financing activities

Net cash used in financing activities totalled $110m, which was $626m lower than 2014, mainly due to $763m special dividends paid and $110m shares repurchased in 2014. Net inflows from borrowings were $279m lower than in 2014.

Overall net debt reduced during the year by $1,004m to $529m as at 31 December 2015.

Off-balance sheet arrangements

At 31 December 2015, the Group had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Group s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual obligations

The Group had the following contractual obligations outstanding as of 31 December 2015.

			$m		
	Total amounts committed	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Long-term debt obligations[a, b]	1,407	370			1,037
Interest payable[b]	343	62	79	79	123
Derivatives	3	3			
Finance lease obligations[c]	3,350	17	33	32	3,268
Operating lease obligations	608	47	84	75	402
Agreed pension scheme contributions[d]	9	9			
Capital contracts placed	&nbs				