IHG at a glance
We are one of the world’s leading hotel companies and our purpose is to provide True Hospitality for everyone. By recognising and respecting people and creating great guest experiences, we offer hotel brands that are loved by millions of guests and preferred by owners. Through our global reach we ensure True Hospitality also extends to our people, the environment and local communities all around the world.

With our asset-light business model, we predominantly manage and franchise hotel brands, and grow our business by ensuring we have the right offer for both guests and owners, whatever their needs. Focused on high-growth industry segments and geographies, our strategy involves strengthening our established brands and capitalising on opportunities for our brand portfolio; building and leveraging scale; developing lifetime guest relationships; and delivering revenue to our hotels through the lowest-cost direct channels. Underpinning our entire strategy, our business model and partnerships is a clear commitment to operating responsibly, brought to life through our culture and talented colleagues.

Central to our success are the relationships we have with our employees, guests, and third-party hotel owners. Our focus is on: ensuring our high-quality owner proposition is competitive; operating our business with a targeted allocation of resources; and disciplined processes and risk controls. This enables us to drive sustainable growth in our profitability and deliver superior shareholder returns over the long term.

Our brands

Mainstream

Upscale

Luxury
Financial highlights

Total revenue
$4,337m (+6.4%)
2017: $4,075m

Revenue from reportable segments
$1,933m (+11.7%)
2017: $1,730m

Operating profit
$566m (-22.3%)
2017: $728m

Operating profit from reportable segments
$816m (+7.7%)
2017: $758m

Total gross revenue in IHG’s System
$27.4bn (+6.6%)
2017: $25.7bn

Underlying fee revenue growth
+6.5%
2017: +4.7%

Total underlying operating profit growth
$47m (+6.2%)
2017: $56m

Revenue per available room (RevPAR) growth
+2.5%
2017: +2.7%

Our scale

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

Total hotels (rooms) in the IHG System
5,603
(836,541)
2017: 5,348 (798,075)

Franchised hotels (rooms)
4,615
(576,979)
2017: 4,433 (552,834)

Managed hotels (rooms)
965
(253,566)
2017: 903 (241,370)

Owned, leased and managed lease hotels (rooms)
23
(5,996)
2017: 12 (3,871)

Total hotels (rooms) in the pipeline
1,859
(270,948)
2017: 1,655 (244,146)

Where we operate

Group revenue from reportable segments 2018 ($1,933m)

Group operating profit from reportable segments 2018 ($816m)

Number of rooms (836,541)

Key
- Americas
- Europe, Middle East, Asia and Africa (EMEAA)
- Greater China
- Central
Central to IHG’s long-term success has been our commitment to evolve, adapt and innovate in order to keep improving, and in 2018 we took significant steps to strengthen the execution of our strategy and lay the foundations for faster growth.

Whilst the world’s changing economic, political and societal landscape means we will always operate amid challenges – from competing tensions of globalisation and nationalism, to climate change – the prospects for our industry remain strong. A growing global economy, expanding middle class, increasing disposable incomes and cheaper air travel all underpin exciting growth prospects. Ready to meet that demand is a heavily competitive marketplace vying to serve increasingly high consumer expectations around service, experience and technology.

At IHG, we are well placed to capitalise. Our successful asset-light strategy and focus on distinctive hotel brands that meet guest needs and deliver strong owner returns is a proven one. This is illustrated by our global scale, the millions of guests choosing our brands, the many long-standing owner relationships we have, and our respect within the investment community for delivering strong, consistent shareholder returns. However, as we operate in a landscape of increasing choice for consumers and investors, we continue to seek opportunities to execute our strategy in quicker, more targeted and effective ways.

This was the focus of 2018: introducing clear strategic initiatives that strengthen our brand portfolio and loyalty programme; our work with owners; how we use our scale, resources and technology to drive industry-leading net rooms growth over the medium term; and deliver our purpose of providing True Hospitality for everyone.

To enable these initiatives, we have made necessary large-scale functional, cultural and personnel changes that will transform our organisation and provide a stronger platform for future success. Encouragingly, whilst an acceleration in our growth rate is a long-term commitment, our best openings and signings performance in a decade, alongside strong financial results, shows we are already having an impact.

Focus on growth
As a Board, we want to ensure that a focus on accelerated growth adheres to the high-quality principles we uphold as a business. This means maintaining our discipline, committing resources in keeping with our strategic direction, and working with owners who share our values. Operating in this responsible way is central to IHG’s long-term track record of delivering high-quality, sustainable growth for all our stakeholders.

A key role of the Board is to challenge and support the business in its corporate decision making, and we have a breadth of diversity, skills and experience to draw upon in order to add value to the decisions we make as a company. We strongly believe that different perspectives enrich a business and we recognise the importance of gender balance too, with more than a third of our Board being female and half of our committees chaired by women.

Final dividend
78.1¢
to be paid on 14 May 2019
(2017: 71.0¢)

Full-year dividend

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
<th>Amount</th>
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<tbody>
<tr>
<td>2018</td>
<td>114.4</td>
<td></td>
</tr>
<tr>
<td>2017</td>
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</tr>
<tr>
<td>2014</td>
<td>77.0</td>
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Return of funds
Since March 2003, the Group has returned over $11 billion of funds to shareholders by way of special dividends, capital returns and share repurchase programmes.

Since 2014:
• $500 million special dividend paid 29 January 2019
• $400 million special dividend paid 22 May 2017
• $1.5 billion special dividend paid 23 May 2016
• $500 million share buyback completed in 2014
• $750 million special dividend paid 14 July 2014
In addition to collaborating as a Board with senior leadership on the implementation of organisational changes in 2018, significant moves to strengthen our brand portfolio were also on the agenda, with the $39 million acquisition of a 51% stake in Regent Hotels & Resorts in July, and an agreement to rebrand and operate a collection of high-quality properties in the UK. Both deals, and our recent acquisition of Six Senses Hotels Resorts Spas, illustrate IHG’s commitment to strengthening our luxury presence.

In what was his first full year as Chief Executive Officer, Keith Barr has shown a great ability to lead the business and engage external stakeholders during a significant period of change. On behalf of the Board, I would like to congratulate Keith and his leadership team on injecting a fresh energy into IHG, and a renewed focus on working collectively at speed to drive growth through attractive brands and strong owner support.

Illustrative of IHG’s inclusive approach is a commitment to launch a share plan for corporate colleagues outside of IHG’s senior leadership. The plan, which is subject to shareholder and regulatory approval, recognises the role that all corporate colleagues play in IHG’s success and our promise to ensure they have the opportunity to benefit as our Company grows.

Managing risk
Operating a business in more than 100 countries requires a considered and agile approach to managing risks associated with our industry and evolving business model, actively taking opportunities to pursue growth and managing risks carefully where we have less tolerance for uncertainty. Reflecting this and the Board’s responsibility to uphold the highest ethical standards and corporate governance, we regularly review areas for improvement, training and development.

In 2018, the Board attended presentations on key corporate governance, consumer, technology and cybersecurity themes, and spent time reviewing opportunities to further increase transparency and enhance IHG’s trusted reputation through changes related to the 2018 UK Corporate Governance Code.

On cybersecurity in particular, an external risk assessment was undertaken, which focused on industry specific issues, our current capabilities, recent progress and a forward-looking plan that will remain in focus in 2019.

It’s important to remember that our scale also brings many opportunities. Not only does it allow us to manage volatility and continue to grow our business, but it also provides a valuable platform to care for the environment and give back to local communities within which we operate. This is extremely important to IHG. Contributing to a broader social purpose is something our colleagues are passionate about, and we know the actions we take are increasingly followed by a wider range of stakeholders, from guests and corporate clients to investors.

We’re proud of our commitments in this area, and whether it’s by helping hotels better manage their carbon footprint, creating a chance to build a career in hospitality, or offering support in times of disaster, it’s important to everyone at IHG that we help.

“...Our focus in 2018 has been strengthening the execution of our strategy, and laying the foundation for faster growth”.

Shareholder returns
I am pleased to announce that the Board is recommending a final dividend of 78.1 cents per ordinary share, an increase of 10% on the final dividend for 2017. This results in a full-year dividend of 114.4 cents per share, up 10% on 2017. During the year, the Board also approved a $500 million special dividend with share consolidation, which was paid to shareholders in January 2019. This takes the total funds returned to shareholders since 2003 to $13.6 billion, representing value through both our programme of asset sales (which concluded in 2015), and the strength of our cash generative business model and ability to drive organic growth.

We continue to grow our business in a way that ensures shareholder returns do not come at the expense of other stakeholders. Guided by our successful strategy, we’re able to invest in initiatives that drive growth, create a rewarding culture for our colleagues, and deliver strong returns for owners, all whilst delivering on our commitments to shareholders. As a Board, we will continue in 2019 to promote and instill the culture, values, systems and controls that make this possible.

I would like to sincerely thank all colleagues for their hard work and commitment to IHG and our brands in 2018, and our owners and investors for their continued confidence in our business.

Patrick Cescau
Chair
In almost two decades spent with IHG, I have seen the Company reach many milestones, but the pace and scale of achievements delivered in 2018 mark a period of important change, and an ambition to ensure our already successful business is best equipped to reach its enormous potential.

As one of the world’s leading hotel companies, we already have a family of much-loved brands, a strong loyalty proposition, outstanding hotels, talented teams, and long-standing owner relationships in key markets globally. These elements are the foundation upon which we have executed a clear and effective strategy, helping to significantly grow our business in recent years and create substantial returns for all our stakeholders.

When I became Chief Executive Officer in July 2017, it was with a clear vision to make our strategy work harder, by strengthening our brands, guest experiences and owner proposition. Enabling these are reorganised functions, freed-up capacity and a sharp focus on prioritised initiatives that together will further increase our competitiveness and accelerate our growth, adding more high-quality hotels to our system at a faster pace.

As a result, there has been change within our business in 2018, and it is a real testament to all our colleagues that we made such huge progress, whilst still driving strong operational and financial performance.

**Accelerating our growth**

As of January 2018, we combined our Asia, Middle East and Africa operating region with Europe, in order to allow us to better use our scale, share best practice, and increase investment in specific markets.

More broadly, we moved to a new organisational structure that allows us to work faster and more effectively as one global team. Two changes formed a key part of this work. Firstly, the integration of our Commercial and Technology functions to help maximise revenue delivery and bring new products and services to market faster. Secondly, the creation of a new Global Marketing Organisation which combines our brand, loyalty and marketing capabilities. This change puts our full might behind new global teams responsible for driving the growth and performance of our mainstream, upscale and luxury brands.

Using our new organisational framework, we outlined a series of strategic growth initiatives in February 2018, funded by a reinvestment of $125 million in annual cost savings by 2020. These initiatives focus on optimising our brand portfolio; enhancing hotel revenue delivery through digital and technological innovation that enriches the guest experience; improving our owner proposition across development, hotel openings and performance; and strengthening our IHG Rewards Club loyalty programme through personalisation and powerful partnerships.

**Financial performance**

While our initiatives are multi-year focused, significant progress in 2018, supported by new ways of working, contributed to a strong annual performance. We delivered a 6% increase in underlying operating profit and our best performance for openings and signings in a decade, leaving us well positioned for future growth.

Our Holiday Inn® Brand Family remains IHG’s growth engine, and represented almost half of total signings in 2018. Driving this demand is our continued use of consumer and owner...
Supported by our people, strategic initiatives and positive industry trends, we are confident in our prospects.

We also launched our new upscale brand, voco, which offers a different avenue of growth for IHG and is already attracting strong interest. The brand will principally focus on conversion opportunities for our portfolio too, and the acquisition of a majority stake in Regent Hotels & Resorts was a key moment. Regent is a well-respected brand at the top tier of luxury, where we know many owners want to work with IHG. We have repositioned the brand to appeal to modern luxury travellers, and we are excited about the prospect of growing its portfolio from six hotels to more than 40 in the years ahead.

Special culture
The scale of change achieved alongside our performance has not been without challenges but as I have travelled around our business, the enthusiasm of colleagues to embrace change encapsulates IHG’s special culture, and we continue to focus heavily on keeping people informed and supported. We are proud to have been recognised as a 2018 Aon Global Best Employer for a second consecutive year, and listed in the 2018 Hampton Alexander Review as one of the top 10 FTSE 100 companies for female representation across our Executive Committee and direct reports. We place huge importance on our diverse and inclusive culture; and several initiatives led by a newly formed Global D&I Board, which I chair, will ensure further progress.

For any company, having the right strategy, structure and growth initiatives in place is of course crucial, but we recognise that ensuring we grow in a responsible way is equally important. Embedded in our business are a range of standards, policies and programmes that engender the right culture among our hotels, offices and suppliers, and helps us have a positive impact on the environment and local communities within which we operate. Ensuring this is achieved across our operations, we embarked on 2018-2020 Responsible Business Targets during the year, which broadens our focus to areas of environmental sustainability, community impact, our people and procurement. This ranges from providing hospitality skills training to thousands through our IHG® Academy, to helping our hotels reduce their carbon footprint and increasing the diversity of our senior leadership.

Supporting our targets around community impact, we also launched our new True Hospitality for Good programme, which gives colleagues greater involvement in the IHG charity partners they wish to support, and puts more focus on volunteering for great causes. Almost 140,000 colleagues took part in the programme in 2018, helping support charities working to offer education and skills in hospitality, or providing disaster relief efforts globally.

We were delighted to be named an industry leader in sustainability for a second consecutive year on the S&P Dow Jones Sustainability Indices, and more broadly to receive several notable awards that show the progress we continue to make as a business. These include HICAP’s Merger and Acquisition of the year award for our Regent deal, and InterContinental Hotels & Resorts being named the world’s leading hotel brand at the World Travel Awards for the 12th time.

Thank you
I truly appreciate the amazing work and efforts of all of our colleagues in our hotels, corporate offices, and service centres globally. The energy and passion that they have put into delivering our purpose of providing True Hospitality is extraordinary. Thank you also to our owners for their partnership and confidence in our brands.

Supported by our people, strategic initiatives and positive industry trends, our prospects for growth are strong and we look forward to 2019 with optimism.

Keith Barr
Chief Executive Officer
The global hotel industry is a $525bn industry, made up of 18 million rooms. 54% of rooms are affiliated with a global or regional chain (‘branded’), up from 50% in 2012, and 46% are unaffiliated (‘independent’). The top five hotel groups, IHG, Marriott, Hilton, Wyndham and Accor account for 25% of market share, up from 19% in 2012, and for 58% of the global development pipeline of hotels in planning or under construction.

In what is a fragmented market, competitor pressures in the branded space are intensifying as all major players pursue growth strategies through acquisitions, organic growth or diversification. As the digital landscape has evolved, consumer choice of where to stay and how to book has developed and hotel companies compete in an environment that includes Online Travel Intermediaries and alternative lodging solutions, such as peer-to-peer home rental companies and serviced apartments.

There are several metrics that recognise industry performance. RevPAR is an important indicator of the value guests ascribe to a given hotel, brand or market and grows when guests stay more often or pay higher rates. Rooms supply is significant because it is reflective of the attractiveness of investing in the hotel industry from an owner perspective and is influenced mainly by the profitability of a brand or market.

Driven by strong economic fundamentals, the global hotel industry has seen growth in both RevPAR and rooms supply for the past nine years as part of a larger travel and tourism sector. It also plays an important role economically, accounting for 1 in 10 jobs around the world.

The hotel industry is cyclical; long-term fluctuations in RevPAR tend to reflect the interplay between industry demand, supply and the macroeconomic environment. In the short term, at a local market level, political, economic and natural factors such as terrorism, oil market conditions and hurricanes can impact demand and supply.

## Industry overview

From growing consumer demand for branded hotels, to an expanding middle class and greater disposable incomes, we operate in an industry with growth potential.

There are two principal business models used by branded hotel groups:

- **Fee-based, asset-light model**
  - Franchised – owned and operated by parties distinct from the brand, who pay fees to the hotel company for the use of their brand.
  - Managed – operated by a party distinct from the hotel owner, who pays management fees and, if the hotel uses a third-party brand name, fees to that third-party also.

- **Owner-operated, asset-heavy model**
  - Owned – operated and branded by the owner who bears all of the cost but benefits from all of the income.
  - Leased – similar to owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner.

Asset-heavy business models allow tighter control over hotel operations, whilst asset-light models enable faster growth with lower capital investment.
Trends shaping our industry

Demand for branded experiences
Growing consumer demand for branded experiences requires hotel companies to continue to find new ways to work with owners and partners to meet expectations.

Owners recognise the strength of a branded offer, and in addition to traditional opportunities, are looking for ways to affiliate with a brand through light-touch conversions or low-cost construction techniques, combined with features that reduce operating costs. The recent addition of multiple new brands by big-branded players illustrates the level of capacity in the market and industry appetite.

Over the last decade, IHG has added our wellness focus brand, EVEN Hotels, a brand tailored to the Chinese consumer, HUALUXE, and following acquisition, expanded Kimpton in the global luxury space. We have also launched avid hotels in the mainstream segment, upscale brand voco, which is principally focused on conversions, and acquired both Regent and Six Senses Hotels Resorts Spas in the top tier of the luxury segment. This reflects a continued strategic focus on offering more tailored experiences to a diverse guest base in the highest opportunity segments and markets.

Diverse consumer needs
The consumer landscape continues to evolve – from millennials seeking increasingly unique and authentic experiences, to baby boomers with money and time to travel, both of whom increasingly expect technology to aid, inform and enrich their stays.

From intuitive booking apps, chatbots, and mobile check-in/check-out, to smart artificial intelligence assistants and seamless wifi, today’s guests expect technology to be integrated into many areas of the travel experience. To meet this trend, the ability of hotel companies to work in partnership with the right technology providers has become increasingly important.

IHG has made good progress in this area: from bespoke online payment solutions to Artificial Intelligence Smart Rooms in some of our InterContinental hotels, which allows guests to use voice commands to control opening the curtains through to ordering room service; and the development of IHG Studio with our avid brand, which allows seamless direct casting of entertainment from guest smart devices to in-room TVs.

Power of the cloud
Data generation, storage and use has never been as prevalent and important as it is today. Cloud storage has further changed the game, giving accommodation providers easy access to real-time diverse data, that enables a more personalised and efficient service.

Operationally it allows providers to use data to tailor guest experiences faster, and drive a more personalised relationship with them. With this trend comes a growing responsibility to handle data responsibly, respecting consumer preferences and rights.

IHG is a pioneer in data-centric technology innovation, from loyalty to reservations and hotel solutions. See IHG Concerto™ case study on page 21 for more details.

20+ New brands launched in the the last decade by the top five hotel groups

46% Of predicted US business trip spending will be by millennials, by 2020

90% Data in the world was generated in last two years

voco™ launched in 2018

Artificial Intelligence Smart Rooms

IHG Concerto™

* Source: STR, Inc
* Source: Boston Consulting Group, Inc
* Source: Forbes Media LLC

These pages should be read together with our principal risks on pages 26 to 30 and risk factors on pages 182 to 186.
Our brands

In 2018, we evolved our marketing function to adopt a comprehensive global approach to marketing and brand development activities. This included organising our brands into mainstream, upscale and luxury segments, in order to maximise efficiencies, better focus resources and drive performance.

With a purpose to provide True Hospitality for everyone at our core, the changes we have made leave us better equipped to keep our existing brands fresh and relevant, and to broaden our portfolio as we create the optimum mix of options for both our guests and owners.

Alongside a strong loyalty proposition, innovation and technology, and enhanced operational solutions for our owners, we are providing the foundations for industry-leading net rooms growth over the medium term. Reflecting the early impact of our changes, we delivered our best openings and signings performance in a decade in 2018.

Mainstream

IHG is the clear global leader within the mainstream segment, with 16% of existing global market share by rooms and 25% of the pipeline. Our mainstream brands operate across the midscale and upper midscale market segments, from full service hotels offering full-service facilities, to extended stay hotels which offer longer term accommodation compared to a traditional hotel. We are focused on enhancing our iconic brands, launching fast-growing new ones and expanding an already strong presence in extended stay.

Building on our mainstream strength, in February 2019 we announced plans to launch into the US a new all-suites upper midscale brand, targeted at an underserved $18 billion industry segment.

### Annual industry global segment revenue

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<thead>
<tr>
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<th>Revenue</th>
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<tbody>
<tr>
<td>$115bn</td>
<td>$65bn</td>
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</table>

### Holiday Inn Hotels & Resorts®

One of the world’s most iconic and trusted brands, Holiday Inn is delivering warm and welcoming experiences for guests staying for business or pleasure. With a breadth of property types from urban centres to beach resorts, the brand continues to drive demand with a focus on service, improved guest room and public area designs, and new food and beverage offers.

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<td>1,224</td>
<td>288</td>
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<tr>
<td>Open hotels</td>
<td>Pipeline hotels</td>
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</table>

### Holiday Inn Express®

Our Holiday Inn Express brand offers guests simpler, smarter travel experiences. Demand for our industry’s largest brand by rooms continues to grow, helped by new guest room designs and an enhanced breakfast offer that are leading to greater satisfaction scores. In China, the brand’s tailored franchise model has contributed to record growth in 2018, with 71 hotels signed.

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<td>Open hotels</td>
<td>Pipeline hotels</td>
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</table>
Holiday Inn Club Vacations®
More than 340,000 families now make our Holiday Inn Club Vacations brand their choice for vacation ownership. Continuing its impressive growth, the brand welcomed its 27th resort in 2018, further enhanced brand standards, renovated more than 1,000 villas, and introduced attractive benefits to enhance the member experience.

Candlewood Suites®
Our US-focused extended stay brand, Candlewood Suites, continues to delight its long-term guests, and was named 2018’s number one hotel for midscale extended stay by Business Travel News. The brand has more than tripled in size since it was acquired by IHG in 2004 and continues to grow strongly, with a new 2019 hotel design expected to add further momentum.

Staybridge Suites®
Featuring thoughtful amenities and spacious suites that provide a break from the norms of conventional travel, our extended stay brand Staybridge Suites was ranked first in its class for guest satisfaction in 2018’s J.D. Power survey for North America. Growing strongly in the US and expanding internationally, the brand will benefit from fresh new hotel designs rolling out globally.

avid™ hotels
Launched in September 2017, our avid brand has enjoyed huge success, with signings in the US, Canada and Mexico, a development agreement in Germany, and one hotel already open. Priced below Holiday Inn Express, avid delivers the essentials exceptionally well at good value for guests, and provides owners with an attractive brand that’s efficient to build, operate and maintain.
Our brands continued

Upscale
In a broad market segment, we continue to focus on ensuring we offer attractive brands that deliver distinct experiences – from business travel to wellness-focused stays.

Improved service and modern designs will further enhance our existing brands as we grow them globally, and we are creating new opportunities for owners to quickly take advantage of our scale, systems and expertise.

<table>
<thead>
<tr>
<th>Annual industry global segment revenue</th>
<th>Industry revenue growth potential to 2025</th>
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<td>$40bn</td>
<td>$20bn</td>
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</table>

Crowne Plaza® Hotels & Resorts
Our Crowne Plaza brand champions a modern way of business travel through distinctive stay and meeting experiences. Recognised for award-winning innovative designs and marketing, the brand is focused on growing its small-to-mid-size meetings offer and rolling out key service and Sleep Advantage programmes that are helping deliver superior guest stays.

voco™ Hotels
Launched in June 2018, our new distinctive upscale brand primarily focuses on conversion opportunities, offering owners of high-quality unbranded hotels the ability to combine the character of an individual property with rich guest experiences and IHG systems. Our first voco hotels are already open in Cardiff and on Australia’s Gold Coast, with signings ahead of expectations.

EVEN® Hotels
With every square-foot of an EVEN property designed for travellers seeking a healthier and happier stay when away from home, our wellness-focused brand is meeting an increasing demand from guests and owners. Predominantly US-based, we are expanding internationally with pipeline properties in both Greater China and New Zealand.

HUALUXE® Hotels and Resorts
The first upscale international hotel brand designed for Chinese guests, we’ve adapted and evolved HUALUXE using consumer and owner insight to deliver a more competitive offer. Receiving awards for best business hotel brand, HUALUXE is driving strong guest satisfaction scores, and will welcome two iconic new openings in 2019 – HUALUXE Xi’an Hi-tech Zone and HUALUXE Xi’an Tanghua.

Hotel Indigo®
Already one of the largest global boutique hotel brands by number of hotels, we celebrated our 100th hotel opening in 2018 and our estate is set to almost double in size in the next five years. Serving growing demand for authentic local neighbourhood experiences, we are increasing guest satisfaction scores and seeing new hotel signings reach record levels.
Luxury
With a strong heritage and expertise in luxury, we are growing our offer to ensure we cater for a range of needs in desirable destinations, from the top tier of the luxury segment through to boutique luxury. In February 2019, we further enhanced our offer with a $300 million acquisition of top tier luxury operator Six Senses Hotels Resorts Spas. A comprehensive luxury proposition strengthens our loyalty offer, attracts more corporate customers and creates a broader owner base to work with.

<table>
<thead>
<tr>
<th>Annual industry global segment revenue</th>
<th>Industry revenue growth potential to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60bn</td>
<td>$35bn</td>
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</table>

Regent Hotels & Resorts
Our acquisition of a majority stake in the Regent brand in July 2018 gives IHG a vital presence in the top tier of luxury. For decades a benchmark for the top tier of luxury hotels, we see potential to grow the brand to more than 40 key destinations – creating a luxury halo for our entire estate. With new hallmarks, designs and service, we have evolved the brand for modern luxury travellers.

InterContinental® Hotels & Resorts
The world’s first and largest luxury hotel brand celebrated its 200th opening in 2018, with new hotels including Shanghai Wonderland and San Diego, and was named the world’s leading hotel brand at the World Travel Awards for a 12th time. An enhanced Club InterContinental experience, global marketing campaign, new designs and luxury B2B focus are helping drive demand.

Kimpton® Hotels & Restaurants
Known in the US for its highly-personal service and playful design, our Kimpton brand is now attracting strong interest in key international markets. We finished 2018 having secured a presence in 14 countries, including openings in Toronto and London and signings in Barcelona, Tokyo and Bangkok. The brand also ranked 6th on Fortune’s 100 Best Companies to Work For list.

<table>
<thead>
<tr>
<th>InterContinental® Hotels &amp; Resorts</th>
<th>Kimpton® Hotels &amp; Restaurants</th>
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</thead>
<tbody>
<tr>
<td>204 Open hotels</td>
<td>66 Open hotels</td>
</tr>
<tr>
<td>60 Pipeline hotels</td>
<td>66 Pipeline hotels</td>
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</table>

For more information on our brand portfolio see page 21.

Loyalty
One of the industry’s leading loyalty programmes, IHG Rewards Club is our way of ensuring that travel is experienced the way it should be: personal, simple and rewarding.

IHG® Rewards Club
IHG Rewards Club helps build valuable relationships with members, strengthens their bond with our hotel brands, drives direct bookings, and encourages guests to further explore our hotel portfolio. It allows us to create experiences that truly reward guests for their custom, from promotions to partnerships, to welcome amenities and perks. We’re focused on making those experiences even better.

In 2018, we launched two new US IHG Rewards Club co-branded credit cards, allowing customers to earn accelerated rewards and enjoy additional travel benefits. We also integrated Kimpton’s loyalty programme, Kimpton Karma, into IHG Rewards Club, giving Kimpton members access to all IHG’s brands, and IHG Rewards Club members a chance to earn points and redeem Reward Nights at our Kimpton properties.

We continue to innovate IHG Rewards Club to build stronger and deeper relationships with our guests, and to drive high value revenue across our hotel estate. Loyalty members are seven times more likely to book direct, and over the last four years we have increased loyalty room revenue contribution by 45pppts to 43%. We are currently testing new features designed to increase member engagement with variable point pricing, for roll out during 2019.
Our business model

Through our business model, we predominantly franchise our brands and manage hotels on behalf of third-party hotel owners. As an asset-light business, we focus on growing our fee revenues and fee margins, with limited requirements for capital.

Our asset-light strategy enables us to grow our business whilst generating high returns on invested capital.

Whether we franchise or manage hotels is largely dependent on market maturity, owner preference and, in certain cases, the particular brand. For instance, in more developed markets such as the US and Europe, over 90% of IHG hotels are franchised. By contrast, in emerging markets such as Greater China, 91% of IHG hotels are managed by IHG.

Over time, we believe the Chinese market will move towards a franchised model. We successfully launched the first tailored franchised offer for Holiday Inn Express in 2016 and have since expanded this to include Holiday Inn and Crowne Plaza.

IHG’s owner proposition

We focus on ensuring our brand portfolio provides a differentiated offering for both guests and owners, and we continue to invest in building a superior owner proposition. For our owners we have developed state-of-the-art technology to drive hotel demand, be it through our mobile booking app, or our cloud-based hotel solutions. Our distribution channels (call centres and booking sites, through which hotel rooms are marketed and booked), allow hotel owners to reach potential guests at a lower cost. Over the last three years, the proportion of rooms revenue booked through IHG’s direct and indirect channels, has been steadily increasing. For guests, we ensure different brands deliver on their expectations, and we continually look to enhance our brand proposition and our IHG Rewards Club loyalty programme.

For further information on our brands see pages 10 to 13.

While our business model means that we do not employ colleagues in franchised hotels nor do we control their day-to-day operations, policies or procedures, IHG and its franchised hotels are committed to delivering a consistent brand experience, conducting business responsibly, and delivering True Hospitality. See pages 22 to 25 for more information.

How we generate revenue and deliver value

Revenue from reportable segments

Our revenue is directly linked to the revenue generated by the hotels in our system.

Franchised
- 576,979 rooms
- Fee business: 23%
- Owned, leased and managed lease hotels: 77%

Managed
- 253,566 rooms

Central
- Revenue is principally technology fee income
- see page 49

Owned, leased and managed lease
- 5,996 rooms

Franchised hotels

From our franchised hotels we receive a fixed percentage of the room revenue following a guest staying at the hotel. This is our fee revenue. We deliver value to our hotel owners through cultivation of hotel brands, economies of scale, access to shared systems and resources, guest demand across the brand estate and centralised marketing activity to drive hotel guest bookings.

Managed hotels

From our managed hotels we generate revenue through a fixed percentage of the total hotel revenue and a proportion of the hotel’s profit. As well as the benefits we deliver through our franchise model, we drive value to our managed hotel owners by optimising the performance of their hotels.

Owned, leased and managed lease hotels

For hotels which we own or lease, we record the entire revenue and profit of the hotel in our financial statements. Our owned, leased and managed lease hotels have reduced from over 180 hotels 17 years ago, to 23 hotels at 31 December 2018.

For further information on our brands see pages 10 to 13.

While our business model means that we do not employ colleagues in franchised hotels nor do we control their day-to-day operations, policies or procedures, IHG and its franchised hotels are committed to delivering a consistent brand experience, conducting business responsibly, and delivering True Hospitality. See pages 22 to 25 for more information.
IHG revenue from reportable segments and the System Fund

**System Fund**
IHG manages a System Fund on behalf of our third-party hotel owners, who pay a contribution into it. In addition, the System Fund also receives proceeds from the sale of IHG Rewards Club points. The System Fund is managed by IHG for the benefit of hotels within the IHG system, and is run at no profit or loss over the long-term. In 2018 IHG recognised $1.2 billion of revenue in the System Fund. Key elements of System Fund expenditure included marketing and sales activity, technology investments including our Guest Reservation System and our IHG Rewards Club loyalty programme.

**Total Gross Revenue**
2018: $27.4 billion. This comprises:
- Franchised hotels = total rooms revenue
- Managed hotels = total hotels revenue
- Owned, leased and managed lease hotels = total hotels revenue

(Only owned, leased and managed lease hotel revenue is directly attributed to IHG.)

**Third-party hotel owners pay:**

**Fees to IHG in relation to the licensing of our brands and, if applicable, hotel management services.**

**Assessments and contributions** are collected by IHG for specific use within the System Fund.

**IHG revenue from reportable segments**
2018: $1.9 billion
Revenue attributable to IHG and this comprises:
- Fee business revenue from reportable segments: in 2018, 77% of our revenue came from franchise and management fees, and central revenues:
  - Franchise fees = RevPAR x rooms x royalty rate.
  - Management fees = fee % of total hotels revenue plus % of profit.
  - Central revenue (principally technology fee income – see page 49).
- All revenue from owned, leased and managed lease hotels.

**System Fund revenues**
2018: $1.2 billion
The System Fund is not managed to a profit or loss for IHG, but for the benefit of hotels in the IHG system, and comprises:
- Assessments and contributions paid by hotels.
- Revenue recognised on consumption of IHG Rewards Club points.
(See page 49 for more information.)

**IHG reported Group revenues (excluding reimbursable revenue)**

**Profit from hotel revenues**
After operating costs of sale, our margin by business model is as follows:
- Fee business after overheads: 52.4%.
- Owned, leased and managed lease: 6.9%.

Not all of our costs can be allocated directly to revenue streams and these are shown as central infrastructure costs.

**Key elements of System Fund expenditure**
- Marketing and sales activity.
- IHG Rewards Club loyalty programme.
- Global distribution systems, such as our Guest Reservation System.

For examples of how we have deployed the System Fund in 2018 to support our strategic priorities, please see pages 20 and 21.
Disciplined approach to capital allocation

Our asset-light business model is highly cash generative and enables us to invest in our brands. We have a disciplined approach to capital allocation ensuring that the business is appropriately invested in whilst maintaining an efficient balance sheet.

Beyond this, we look to return surplus cash to shareholders through ordinary and special dividends and share buybacks.

Our objective is to maintain an investment grade credit rating. One of the measures we use to monitor this is net debt:EBITDA and we aim for a ratio of 2.0-2.5x. The ratio at 31 December 2018 was 1.7x.

Following the adoption of IFRS 16 ‘Leases’ (see page 115), from 1 January 2019 we will aim to maintain a net debt:EBITDA ratio of 2.5-3.0x, which is equivalent to our guidance under the previous accounting standard.

1. Invest in the business

Through strategic investments and our day-to-day capital expenditures we continue to drive growth.

2. Maintain sustainable growth in the ordinary dividend

IHG has a progressive dividend policy which means we look to grow the dividend per ordinary share each year.

3. Return surplus funds

In October 2018, we announced a $500m capital return to shareholders via a special dividend and share consolidation. The special dividend was paid on 29 January 2019.

Final dividend

The Board has proposed a final dividend per ordinary share of 78.1¢. With the interim dividend per ordinary share of 36.3¢, the full-year dividend per ordinary share for 2018 will total 114.4¢.
**Dividend policy**
The Board constantly reviews the Group’s approach to capital allocation and seeks to maintain an efficient balance sheet and investment grade credit rating. IHG has a progressive dividend policy and excellent track record of returning funds to shareholders through ordinary and special dividends, and share buybacks, with the ordinary dividend seeing 11% CAGR since 2003. This is in addition to special returns of funds detailed on page 198.

When reviewing dividend recommendations, the Directors also take into account stakeholder interests, the long-term sustainable success of the Company and ensure that there are sufficient, distributable reserves.

For more details on our dividend policy and approach, see pages 4 and 50.

**IHG’s outlook on capital expenditure**
Capital expenditure incurred by IHG can be summarised as follows.

<table>
<thead>
<tr>
<th>Type</th>
<th>What is it?</th>
<th>Recent examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance capital expenditure, key money and selective investment to access strategic growth.</td>
<td>Maintenance capital expenditure is devoted to the maintenance of our owned, leased and managed lease hotels, which has reduced as we have become increasingly asset-light. Key money is expenditure used to access strategic opportunities, particularly in high-quality and sought-after locations when returns are financially and/or strategically attractive.</td>
<td>Examples of maintenance spend includes maintenance of our offices, systems and our owned, leased and managed lease hotels. Examples of key money include investments to secure representation for our brands in prime city locations.</td>
</tr>
<tr>
<td>Recyclable investments to drive the growth of our brands and our expansion in priority markets.</td>
<td>Recyclable investments is capital used to acquire real estate or investment through joint ventures or equity capital. This expenditure is strategic to help build brand presence. Over time, we would look to divest these investments at an appropriate time and reinvest the proceeds elsewhere across the business.</td>
<td>Examples of recent recyclable investments in prior years include our EVEN Hotel brand, where we used our capital to build three hotel properties in the US and established a joint venture in a third to showcase the brand. Over time we expect to divest our interest in these hotels.</td>
</tr>
<tr>
<td>System Fund capital investments for strategic investment to drive growth at hotel level.</td>
<td>The development of tools and systems that hotels use to drive performance. This is charged back to the System Fund over the life of the asset.</td>
<td>Recently we rolled out our new pioneering cloud-based Guest Reservation System, one of IHG Concerto’s comprehensive set of capabilities, which we developed with Amadeus.</td>
</tr>
</tbody>
</table>
Our strategy for high-quality growth
We have a clearly defined strategy designed to drive superior shareholder returns. Our focus is on delivering high-quality growth, which means consistent, sustained growth in cash flows and profits over the long-term. The execution of our strategy is underpinned by a strong culture, talented people and a commitment to the environment and our stakeholders.

Overview of strategy
Our Strategic Model focuses on value-creation by building preferred brands, delivering a superior owner proposition, strengthening our loyalty programme, leveraging scale and generating revenue through the lowest-cost direct channels. Our targeted portfolio, together with disciplined execution of our strategy and a commitment to doing business responsibly, are designed to achieve industry-leading net rooms growth over the medium term.

Whilst executing our strategy we target the most attractive markets and segments, prioritising our resources and investments based on growth potential, strategic importance and IHG’s ability to build scale. This reflects our ambition to accelerate our growth trajectory and build on our strong global competitive position. Our brands operate in the mainstream, upscale and luxury segments which in our view are the highest opportunity segments based on guest needs. In addition, we focus on key countries and cities in markets where there is high growth potential, and look to invest ahead of demand.

Our strategy is executed through a strong set of values, business behaviours and talented people.

Our strategic approach to value creation

Strategic Model
1. Build and leverage scale
2. Strengthen loyalty programme
3. Enhance revenue delivery
4. Evolve owner proposition
5. Optimise our preferred portfolio of brands for owners and guests

Targeted portfolio
- Attractive markets
- Highest opportunity segments
- Managed and franchised model

Disciplined execution
- New organisational design has redeployed resources to leverage scale and accelerate growth
- Growth initiatives funded by Company-wide efficiency programme

Whilst doing business responsibly
- We focus on having a strong, diverse, innovative and inclusive culture
- We are committed to having robust business ethics
- We embrace our responsibility for the environment, the communities we work in and responsible procurement

Our strategy should be read together with our culture, key stakeholders and doing business responsibly (pages 22 to 25), and our principal risks and uncertainties (pages 26 to 30).

For further information on our strategy, go to www.ihgplc.com/about-us under Our strategy.
Strategic Model
Since becoming a stand-alone company 16 years ago our Strategic Model has delivered superior shareholder returns. Our ambition is to accelerate our growth further, delivering industry-leading net rooms growth over the medium term, whilst doing business responsibly and delivering True Hospitality for all.

The individual components of IHG’s Strategic Model are at the heart of our success and continue to align our organisation to focus on the most important strategic initiatives and deliver our commitment to True Hospitality. This approach helps us create value for our stakeholders and deliver high-quality growth for our shareholders.

Build and leverage scale
Scale provides significant advantages in the hospitality industry at both global and national level. IHG uses the breadth of its portfolio, combined with our depth in attractive markets and focus on the highest opportunity segments, to drive significant efficiencies, leading to increased operating leverage and ultimately higher margins.

- We achieved 4.8% net system size growth in 2018.
- In 2018 signings grew by 18% to 98,814 rooms, the highest in a decade.
- We have built a strategic position in Greater China with a domestic business that has continued to outperform the market.

For further information see our accelerating our growth case study on page 20.

Strengthen loyalty programme
Having an attractive, differentiated loyalty offering tailored to our guests’ needs is critical to IHG’s continuing success. We are continually innovating IHG Rewards Club to build lifetime relationships with our guests. This creates a sustainable long-term revenue source and transforms previously unaffiliated travellers into powerful advocates for our brands.

- Over the past four years we have increased our loyalty contribution by 4ppts to 43%.

For further information on loyalty and IHG Rewards Club see page 13.

Enhance revenue delivery
By striving to drive business through our direct channels, IHG maximises returns for our owners, as these channels are less costly than alternatives such as third-party intermediaries. Digital and technological innovation, alongside strong brands and compelling loyalty, is key in ensuring IHG continues to manage revenue delivery effectively.

- 13% growth in room revenues delivered through digital (web and mobile) channels to $5.3bn.
- Successful roll out of IHG Concerto™, including the Guest Reservation System.

For further information on IHG Concerto see page 21.

Evolve owner proposition
Within our asset-light business model, maintaining positive relationships with long-standing owners and constantly forging new owner relationships is vital for IHG. Our outstanding operational support, preferred brands, industry-leading franchise offer and continued investment in innovation delivers a compelling owner proposition and strong returns.

- We invest in our hotel lifecycle capabilities, providing strong support for our owners from signing to opening a hotel, to future refurbishments.

For further information on how we evolve our owner proposition see our accelerating our growth case study on page 20.

Optimise our preferred portfolio of brands for owners and guests
As competition intensifies, distribution channels proliferate and consumers become more demanding, actively building a strong portfolio of distinctive, preferred brands for both our owners and guests is fundamental to IHG’s success and future growth.

- We have successfully launched two new brands, avid and voco, during the last two years, and acquired Regent Hotels.
- Continuing this momentum, in February 2019 we announced the $300 million acquisition of Six Senses Hotels Resorts Spas, which will sit at the top tier of our luxury offer, and our plans to launch a new all-suites upper midscale brand into the US later this year.

For further information on our brands see pages 10 to 13.
Our Strategic Model in action
In 2018, we took important steps to ensure our business is best placed to execute our strategy at pace, and we made progress on executing against our strategic initiatives.

Accelerating our growth
We have consistently executed a clearly defined strategy and delivered market outperformance over the past 16 years, whilst returning $13.6bn to shareholders. To continue to outperform in a changing and competitive environment, we set out a series of strategic initiatives in 2018.

These initiatives redirected our focus and resources to areas where we can enhance our proven business model, and deliver industry-leading net rooms growth over the medium term.

To capitalise on the opportunities ahead, we initiated a comprehensive efficiency programme to realise ~$125m in annual savings by 2020, for reinvestment to drive growth.

Build and leverage scale
From January 2018, we adopted a new organisational structure, which redeployed our resources to better leverage our scale and accelerate our growth. We made these main changes:

New regional operating structure:
Our Europe and Asia, Middle East and Africa regions have merged to become Europe, Middle East, Asia and Africa (EMEAA), allowing us to leverage scale to share best practice and increase investment in markets with the highest growth potential.

Integrating Commercial and Technology:
The combination of our Commercial and Technology functions brings together our sales, channels, revenue management and technology capabilities, allowing us to maximise revenue delivery and bring new products and services to market faster.

Global Marketing organisation:
A new global function brings together our brand, loyalty and marketing capabilities to drive greater agility and efficiencies. Brands are organised globally by mainstream, upscale and luxury to drive clear accountability for brand performance and growth.

Outsourcing:
Following the outsourcing of our Central Reservation Office in the UK in 2017, we have now also completed the outsource of our call-centre capabilities in the US. IHG continues to leverage opportunities with strategic supplier relationships to accelerate our technology roadmap.

Strengthen loyalty programme
Our IHG Rewards Club loyalty programme is well positioned as one of the industry leaders but we are focused on creating a more personalised and differentiated offer, leveraging the right partnerships for our members. See page 13 for more information.

Enhance revenue delivery
To further enhance our strong digital and technology platform, we are prioritising innovations that increase direct revenues. See our IHG Concerto case study for more information.

Evolve owner proposition
IHG’s enterprise is designed to deliver an industry-leading owner proposition, and optimising owner returns remains at the heart of our strategy. To unlock further growth, we are enhancing our offer by increasing investment in development and owner support, and extending our leading franchise offer in key markets with specific brands.

Optimise our preferred portfolio of brands for owners and guests
We are focused on delivering high-impact enhancements to our existing brands and using a targeted, insight-driven approach to further broaden our portfolio for guests and owners. See our brand portfolio case study, on the next page, for more information.
IHG Concerto™

IHG Concerto provides our hotels with the most sophisticated cloud-based technology platform in the industry.

A pivotal point in IHG’s ambitious technology roadmap, the global roll out of IHG Concerto was completed in 2018, with additional functionality set to be introduced in a phased launch later in 2019.

IHG Concerto brings together a comprehensive set of capabilities, including IHG’s industry-leading Guest Reservation System and an enhanced Revenue Management System, into one single, seamless hotel management tool. In 2018, hotel feedback has been overwhelmingly positive with regards to the simplicity and ease of navigation of the new system, the modern intuitive interface, and the ease of the General Manager’s dashboard, which enables them to better manage a hotel’s performance.

As IHG Concerto enters the next phase of its development and we continue to evolve our industry-leading Guest Reservation System, we will deliver an even richer guest experience, with better presented content and attributes that guests value, such as views and room sizes, highlighted for ease.

IHG Concerto adding value:
• Thanks to a more efficient management system, hotel colleagues have more time to deliver richer experiences to guests;
• Owners benefit from smarter revenue management tools; and
• In the future, guests will be able to customise their stay based on features they find important – made possible by new ways of classifying and selling room inventory.

Enhancing our brand portfolio

IHG’s continued success relies on ensuring our existing brands remain fresh and relevant to changing guest and owner needs, and that we add new brands in areas of high demand.

We made significant progress in 2018, including:
• Continued roll out of new room and public space designs and service enhancements for our Holiday Inn and Holiday Inn Express brands.
• Extending our franchise offer in Greater China to our Holiday Inn and Crowne Plaza brands, following the rapid success of our tailored Holiday Inn Express Franchise Plus model.
• Continued international expansion of Kimpton Hotels & Restaurants in key destinations including Tokyo, Barcelona, Frankfurt and London.
• Agreement to rebrand and operate a collection of UK portfolio properties – a deal which made IHG the UK’s leading luxury hotel operator.
• In mainstream: our first avid property is open in Oklahoma, US; we have 171 properties in our pipeline; and we’ve signed a Multi Development Agreement in Germany.
• In upscale we launched our voco brand in June, with two hotels already open and another eight in the pipeline across our EMEAA region.
• In the top tier of luxury we acquired a majority stake in the Regent Hotels & Resorts brand. Following a brand repositioning, we have signed three hotels since acquisition in Kuala Lumpur, Bali and Chengdu.
• Continuing this momentum, in February 2019 we announced the $300 million acquisition of Six Senses Hotels Resorts Spas, which will sit at the top tier of our luxury offer, and our plans to launch a new all-suites upper midscale brand into the US later this year.

For further information about our Brands see pages 10 to 13.
Our culture, key stakeholders and doing business responsibly

Our focus on doing business responsibly and the way we interact with our stakeholders, helps create a diverse, healthy and inclusive culture.

Our culture

Creating and reinforcing a culture of strong leadership, diversity and inclusion, robust business ethics and respect for the environment and society, underpins our ability to deliver our purpose and strategy. It is essential to our long-term success that we have an excellent reputation and are a trusted company.

Commitment starts at the top, with our Board focused on promoting a healthy and responsible culture across the business, and our CEO and senior executives accountable for embedding and reinforcing our unique culture. The Board receives regular updates on employee matters and culture from the Chief Human Resources Officer, whilst our CEO ensures our culture is aligned with our Company purpose.

Our growth behaviours and values

During 2018 as part of our strategic initiatives programme, we enhanced our culture by reviewing and updating our corporate behaviours. Our growth behaviours encourage our corporate employees to be decisive, work at pace, be collaborative, develop talent and focus on performance.

These behaviours are being brought to life through virtual learning summits, which are a chance for our people to hear from IHG leaders, peers and external thought leaders. These behaviours are being brought to life through virtual learning summits, which are a chance for our people to hear from IHG leaders, peers and external thought leaders. These behaviours are being brought to life through virtual learning summits, which are a chance for our people to hear from IHG leaders, peers and external thought leaders.

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Our Code of Conduct

The bedrock of our culture is our Code of Conduct, (Code), which sets out our commitment to operating honestly and with the highest ethical standards. The Code principles help us to act responsibly and set out the value we place on being trusted by our colleagues and guests, those who do business with us, and the communities we work in. The Code is an introduction to our key global policies, including anti-bribery, diversity and inclusion, environment, confidential reporting and human rights. It is reviewed annually by the Audit Committee and Board to ensure it reflects and responds to changes in the external environment, and supports our purpose and strategy. All colleagues working in IHG corporate offices, reservation centres and managed hotels must comply with the Code and the policies and procedures it refers to. The principles, spirit, and purpose of the Code are also relevant to our franchised hotels, which are independently operated.

In 2018 we launched our refreshed Code, updated our e-learning module and reminded colleagues where to go for further details. The module is for colleagues working in IHG corporate offices, reservation centres and managed hotels.

Human rights and modern slavery

Helping combat human rights abuses, including modern slavery, is an important part of our commitment to responsible business. We have procurement targets to increase ethical supplier awareness, and policies and procedures applicable to employees, suppliers, and managed hotels.

In 2018 we undertook a human rights impact assessment across IHG’s operations, covering our supply chains, hotels and corporate offices. The findings, presented to senior leaders in early 2019, will help us develop our human rights programme, which includes a focus on human trafficking, labour risks, forced labour and modern slavery.

Bribery and financial crime

Bribery and financial crime, including improper payments, money laundering and tax evasion, are not permitted at IHG under any circumstances. This also applies to any agents, consultants and other service providers who do work on IHG’s behalf.

Our Anti-Bribery policy sets out IHG’s zero tolerance approach and is applicable to all Directors, IHG employees and our managed hotels. It is accompanied by a mandatory anti-bribery e-learning module. Our Gifts and Entertainment Policy supports our approach to anti-bribery and corruption. It sets out reporting and approval thresholds for gifts and entertainment given or received, and applies to all Directors, IHG employees and our managed hotels. The policy and guidance was updated in 2018.

As a member of the Business Integrity Forum, IHG participated in Transparency International UK’s Corporate Anti-Corruption Benchmark in 2018. IHG is using the results from this exercise to identify areas for improvement in its anti-bribery and corruption programme.

We carry out risk-based due diligence checks on new third parties with whom we enter into hotel agreements. A committee of senior management reviews any material issues identified.

Information security and data protection

It is everyone’s responsibility at IHG to safeguard information, to follow legal requirements and comply with IHG’s information security and personal data policies, standards and procedures. In 2018 we updated training for colleagues on handling information responsibly. We continue to enhance our privacy programme to address evolving privacy requirements and best practice including the EU General Data Protection Regulation. The Board and Audit Committee regularly reviews information security risk and controls, including our approach to incidents. (see pages 27, 61, 66, 157 and 185).
Our people

Highlights

400,000+
Colleagues worldwide

12,812
Number of employees whose costs were borne by the Group or the System Fund. As we franchise 82% of our hotels globally, we do not employ the vast majority of people working in IHG branded hotels.

We are a business on the move, with a new organisational structure, new behaviours and a sharper focus on accelerating our growth – we can only succeed by working as one team. Our people are key to delivering our purpose of True Hospitality and our strategic initiatives and ambition to accelerate our growth. We look to employ talented people, develop and train them, and provide a diverse and inclusive culture in which they can thrive. The Board has overarching responsibility for the Company’s direct employee policies and activities, whilst senior management have day-to-day responsibility for people issues. Both the CEO and Chief Human Resources Officer have ‘people’ goals, and whilst the CEO chairs a Diversity and Inclusion Board, the Chief Human Resources Officer updates the Board on workforce matters and culture. Our progress against our ‘people’ 2018-2020 Responsible Business Target is monitored by the Corporate Responsibility Committee. More information, along with details of our other targets, is available on our website; please find a link at the bottom of page 24. We are currently assessing the most appropriate long-term approach to enhance Board engagement with the workforce; please see page 69 for more details.

Engagement, diversity and inclusion

IHG is a global business with a global outlook. Working in hotels and offices in more than 100 countries, our colleagues represent multiple nationalities, as well as many cultures, religions, races, sexualities, backgrounds and beliefs. It makes for a diverse, innovative and inclusive culture which we are proud of, and it’s why our purpose to provide True Hospitality is for everyone. Our employee engagement is measured through a bi-annual survey, (Colleague HeartBeat); Corporate, managed hotel and customer reservations office employees take part. Available in 30+ languages, this year our overall engagement score was 86%.

In 2018 we launched our Diversity and Inclusion Board, led by the CEO and senior leaders across IHG. As part of our 2018-2020 Responsible Business targets we have committed to increasing the level of diversity among IHG’s senior leadership in terms of gender and nationality or ethnicity. We also have committed to increasing the number of females working in General Manager and operations roles within managed hotels.

- Listed by the Hampton Alexander Review in the top 10 of FTSE 100 companies for female representation.
- 100% rating in the Human Rights Campaign’s Corporate Equality Index – making IHG a best place to work for LGBTQ equality in the US for the last four years.
- Aon Hewitt Global Best Employer for two years running.
- Top Employer in the UK by the Top Employers Institute for the fourth year running, for providing an exceptional environment for employees to develop.

Attracting, building and retaining talent is dependent on a diverse and inclusive culture. We are committed to rolling out programmes to areas of the business where they are needed the most. For example Rise, IHG’s mentoring initiative that supports female General Managers, will roll out in Europe, the Americas and Greater China in 2019. This scheme is already established in Australia, Japan, South East Asia and Korea.

To further strengthen our diverse and inclusive culture, we are focused on increasing our employees’ awareness of our Global Diversity and Inclusion policy through focused events and communications, colleague programmes, inclusive leadership and unconscious bias training and taking our existing employee resource groups global.

We are committed to a continual review of our practices and policies such as reducing bias at all levels in our hiring processes, and reviewing flexible working processes and policies. We have signed up to the Diversity in Hospitality, Travel and Leisure Charter, a 10-point action plan that ensures diversity and inclusion not only remain a priority but that we openly track progress towards our goals. And we support the UN LGBTI Standards for Business, which focuses on tackling discrimination against lesbian, gay, bi, trans and intersex people.

As at 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Executive Committee</td>
<td>7</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Executive Committee Direct Reports</td>
<td>38</td>
<td>26</td>
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<tr>
<td>Senior Managers</td>
<td>71</td>
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<td>94</td>
</tr>
<tr>
<td>(including directors of subsidiaries)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All employees</td>
<td>5,457</td>
<td>7,345</td>
<td>12,812</td>
</tr>
</tbody>
</table>

Attracting, rewarding and developing talent

We took steps in 2018 to evolve our talent and employee development practices. We launched our new approach to performance, and initiated frequent ‘check-in conversations’, giving our people more opportunities to gather feedback on their performance, as well as discussing their development and career aspirations.

We are also establishing forums to help identify and retain top talent, and add rigour to our succession planning, ensuring we are developing a diverse pipeline of talent for the future. In 2018 we launched a new toolkit to help individuals navigate their careers. We are also investing in our leadership development programmes, including Leading Others and Career Insights, to ensure we are developing the next generation of leaders.

Case study

To support IHG’s fast expansion in Greater China, our Greater China team launched a new virtual development centre in 2018 that helps us assess and prepare c100 hotel leaders on a yearly basis, with the potential to increase that number three-fold in the future.
Our culture, key stakeholders and doing business responsibly continued

IHG’s purpose and strategy go beyond a simple hotel stay and shareholder returns; it also includes the impact we have on the environment and the communities we work in.

We embrace our responsibility to focus on ensuring that the growth of our business contributes towards the objectives of the UN Sustainable Development Goals and we drive a positive contribution towards seven of the 17 goals, (see our website link at the bottom of the page). We recognise it is imperative that we continue to review our impact on the world and use a materiality matrix to align our responsible business priorities with IHG’s strategic approach and principal risks. Our Corporate Responsibility team lead our day-to-day activities, with the Corporate Responsibility Committee reviewing the Company’s approach and reporting to the Board. During 2018 we initiated a review of our approach to help identify a new set of targets to take us beyond 2020, building on our 2018-2020 targets.

Community and our impact on society

We aim to maximise the positive contribution we make by creating shared value in our communities. By working in partnerships, we look closely at issues such as skills shortages, infrastructure development, community resilience and disaster relief support, in areas where we operate.

We create real-life, career-building opportunities through the IHG® Academy. Our hotels and corporate offices partner with local education providers and community groups to train and educate local people.

Since 2016 we supported communities and charitable giving through the IHG® Foundation, an independent charity. In 2018, IHG switched its support to our newly created True Hospitality for Good programme. This new programme for communities and charitable giving, provides colleagues in our hotels and offices with a greater say in how we support important causes around the world. Our aim is to help change lives for the better through building skills and education in hospitality, and supporting communities when disasters strike.

Environmental sustainability

It is important to us that our corporate offices and hotels are mindful of the resources they use and opportunities to protect the environment, particularly in areas of water stress and environmental preservation. We continually work to understand our impact, taking into account our business model, as well as the markets in which we operate, to help us set targets and guidance for our partners, hotels and their owners. Our environmental policy is available in 40+ languages and sets out our approach.

Key to helping us reduce our environmental impact is our digital sustainability platform, the IHG Green Engage™ system. A global standard across the Group, it helps hotels manage and report their energy, carbon, water and waste use through more than 200 ‘Green Solutions’ and implementation plans, driving profitability for owners, whilst minimising environmental impact.

In 2018, we made good progress against our new environmental targets. Working with our hotels and owners to reduce our carbon footprint per occupied room globally, we achieved a 2.2% reduction. And building on our previous risk mapping exercise, we launched the first two of our water stewardship projects in London and Delhi, which aim to help us identify a best practice water stewardship strategy that can be implemented across our estate.

IHG is aware of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and of the need for companies to align efforts to cut greenhouse gas emissions with climate science (science based targets). We will be taking this into consideration as part of our wider strategy refresh.

As part of our broader efforts to reduce plastic waste, in 2018 IHG committed to remove single-use plastic straws from our global estate by the end of 2019 – eliminating annually an average of 50 million straws from our hotels.

Responsible procurement

Supported by corporate responsibility and procurement functions, a Supply Chain Risk Council and oversight from the Chief Financial Officer, IHG seeks to work with partners and suppliers who share our commitment to responsible business. Our Vendor Code of Conduct, available in 40+ languages, sets out the requirements, principles and practices IHG has adopted to promote ethical conduct in the workplace, safe working conditions in the supply chain, treatment of persons with respect and dignity and environmentally responsible practices. They are the minimum standards by which IHG suppliers are expected to operate.

In 2018 we built a new responsible procurement function to drive our responsible business agenda across our supply chain. We also established a Strategic Supplier Management Office, who work with our strategic suppliers to maximise realised supplier value and minimise risk through effective supplier relationship management.

We previously commissioned external providers to undertake supply chain audit pilots in high-risk locations. In 2018 we partnered with the British Standards Institute (BSI) and participated in their Supplier Assurance Programme, the aim of which is to gain insight into risks associated with IHG’s supply chain.

New suppliers joining our procurement system are required to complete due diligence questions and adhere to the UN Global Compact Principles on human rights, labour, environment, and anti-corruption.

Non-financial information statement

Non-financial information described above and in the preceding pages, should be read together with the description of our business model on pages 14 to 17, risk descriptors and initiatives to mitigate them on pages 26 to 30, KPIs on pages 31 to 35, and Board and Committee Reports on pages 60 to 69.

Copies of our policies, including diversity and inclusion, reports, responsible business targets, statements, commitment to the UN Sustainable Development Goals and further information are available on our website www.ihgplc.com/responsible-business
Employees
Employing and retaining talented people ensures that we can deliver against our purpose and strategy. We engage in a number of ways with our direct employees including conferences, colleague surveys, 'Town Halls', skip level feedback, newsletters and blogs. We are aware of the issues that concern them such as wellbeing, diversity and inclusion, training and development. During 2018 we prioritised our diverse and inclusive culture, launched a well-being programme for our leaders, announced a new Colleague Share Plan for our employees and reviewed our UK gender pay gap. In addition we held a series of engagements with employees on our new organisation design and re-designed processes and ways of working. Employee matters were a regular Board and Executive Committee agenda item.

Hotel owners
Through the IHG Owners Association, which represents the interests of more than 3,400 hotel owners and operators worldwide, we share and implement our purpose and culture. It’s important for the Company’s reputation and long-term success to have a strong relationship with our hotel owners and we ensure this through regular meetings, surveys and regional conferences. Of particular note in 2018, together we launched the Renovation Donation Initiative in the US, a programme to donate old hotel fixtures and fittings to charity. For more information on the IHG Owners Association see www.owners.org

Guests and corporate clients
We engage with hotel guests and corporate clients through our corporate and brand websites, IHG Rewards Club, surveys, guest relations and our social media channels. We know they value our green credentials, such as our policies on water stewardship, but also look for consistent brand service and reward for their loyalty. Over half of our corporate clients ask questions about our environmental and social governance approach before they book with us. Our shared commitment means we continually review our approach to responsible business.

Society including suppliers
We work with a broad range of NGOs, community organisations and suppliers who share our commitment to doing business responsibly and who we work with and respond to. We engage with them to ensure that we take care of the environment, support local communities, have strong payment practices, clear vendor guidelines and robust business ethics. We do this through the IHG® Academy, charitable work and procurement practices. In September 2018 we had a ‘Giving for Good month’, where 130,000 colleagues participated in fund-raising activities for 11 charity partners.

Shareholders and investors
Our commitment to good governance means taking our shareholder and investor concerns about the environment, employee relations, executive remuneration, long-term financial performance and corporate governance seriously. We engage with shareholders and investors through a variety of mechanisms including the AGM, meetings with the Chair and Committee Chairs, Investor Relations, investor presentations and regular correspondence. We welcome their feedback and over the course of 2018 have engaged across a broad range of topics including remuneration, the environment and data privacy.

Stakeholders
The long-term sustainable success of IHG is determined by our ability to identify and foster relationships with our key stakeholders, not only at Board level but throughout the organisation. The following information should be read in conjunction with the description of Board activities on pages 60 to 62 and stakeholder information in our Responsible Business Report, available on our website www.ihgplc.com/responsible-business
Risk management
We continue to assess our risk management system, ensuring it remains appropriate to support our growth ambitions and decision making in line with our appetite and tolerance for risk.

Strategy and risk
Our strategy, business model and the way we do business present a number of risks and opportunities. There are risks we are willing to take, and areas where we have less tolerance for uncertainty. The Board is ultimately accountable for the effectiveness of our risk management and internal control systems, and is supported by the Audit Committee, Executive Committee and delegated committees, who oversee our risk management system to ensure that risks and opportunities are appropriately identified and managed to an acceptable level in relation to IHG’s appetite and tolerance for risk.

Risk appetite
IHG’s risk appetite is visible through the nature and extent of risk taken by the Board in pursuit of strategic and other business objectives. This risk appetite is cascaded through the goals we set, our Code of Conduct, decisions we make and how we allocate resources and it evolves with the strategy of the organisation. Examples of how we articulate our risk appetite are included in note 22 to the Group Financial Statements, see page 144.

IHG’s appetite and tolerance for risk is further articulated and implemented through our governance committees, structures, policies and targets we select, as well as in development guidelines for new hotels. In 2018 the Board and Board Committees again reviewed many of these aspects directly through their meetings and discussions of principal risks, and through their close oversight of IHG’s organisational changes and the portfolio of growth initiatives.

This section should be read together with the rest of the Strategic Report, the Governance Report on pages 52 to 71, going concern on page 181, and Risk Factors on pages 182 to 186.

IHG’s principal risks, uncertainties and review process
Our risk profile remains dynamic – we continue to face inherent uncertainties linked to a challenging external environment. Our efficiency programme to realise savings for reinvestment, organisational changes and focus on strategic initiatives have also required us to evaluate and evolve our risk management system to maintain an appropriate level of control within our levels of risk tolerance.

Throughout 2018 the Risk and Assurance team has co-ordinated assessments of the principal risks facing the Group, including those which would threaten its business model, future performance, solvency or liquidity and reputation. These risks are formally reviewed with the Group’s Directors on a bi-annual basis and considered in more detail through the activities of the Board and Committees. The review of our principal risks this year again focused both on the internal and external risk environment. We have included factors relating to third parties across many of our risks, reflecting the increasing importance of our relationships with partners to our growth ambitions. We have also considered within our approach to financial planning, a separate risk responding to an increasingly volatile macro-economic environment (for example trade wars, environmental and climate-related matters) which creates inherent uncertainties to our performance and prospects.

The focus on executing our strategy at a faster pace emphasises the importance of the steps we take to consider risk explicitly as part of decision making. During 2018 this has been supported by the continued development of IHG’s risk culture and governance processes, including review of the delegation of authority, and communication of revised leadership behaviours and performance management processes, which continue to reflect the principles of our Code of Conduct. The implementation of organisation and process changes creates inherent risks of disruption to control routines and accountabilities, and these have been actively considered by management teams.

Frequent senior leadership discussions throughout the year, and our more structured strategic programme management and financial planning processes, have also included regular ‘pulse checks’ of emerging risks requiring management attention. These are considered both in the context of individual initiatives, and at an aggregated level, as part of resilience planning. The Risk and Assurance team provides support and intelligence on emerging threats and will continue to provide advice to management on procedures for risk identification and mitigation and control.

Our principal risks remain structurally similar to those reported in previous years. We continue to highlight uncertainties relating to our growth agenda and conclude that the potential impact of Brexit on IHG is not likely to have a material impact on our overall strategy or operations although, as with other external factors, this is considered as part of routine operational risk management and resilience planning. The impact of a potential movement in the value of sterling is articulated in note 22 of the Financial Statements, see page 145.

The Group’s asset-light business model, diverse brand portfolio and wide geographical spread however contribute to IHG’s resilience to events that could affect specific segmental or geographical areas.
Our organisational changes in 2018 have brought focus to make IHG a stronger business.

We assess whether the risk area is stable or dynamic in its impact and/or likelihood (inherent risk trend), and the rate at which there could be a material impact on IHG if unmanaged or managed inappropriately. The trend and speed of impact are summarised in the diagram (on the right) with further detail on activities to manage each of these risks in the table below.

<table>
<thead>
<tr>
<th>Principal risks descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent risk trend</td>
</tr>
<tr>
<td>Dynamic/Rapid</td>
</tr>
<tr>
<td>Dynamic/Gradual</td>
</tr>
<tr>
<td>Stable/Rapid</td>
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</tbody>
</table>

Inherent threats to cybersecurity and information governance continue to present risk to our operations. Customer and other forms of sensitive data remain valuable to various threat ‘actors’ (including organised criminals and nation states), and increasing societal, regulatory and media scrutiny of privacy arrangements mean that the potential impact of data loss to IHG financially, reputationally or operationally remains a dynamic risk factor.

Failure to deliver preferred brands and loyalty could impact our competitive positioning, our growth ambitions and our reputation with guests and owners. Competitor and intermediation activity creates inherent risks and opportunities for the hospitality industry and is relevant to the longer-term value of IHG’s franchised/managed proposition and our ability to deliver returns to current and potential owners of our various brands.

- We continue to align efforts across multiple business teams to manage the risk within tolerance, and appointed a dedicated Chief Information Security Officer to facilitate this. We also monitor and update our information security policies and practices to respond to the risks we face, including those relating to evolving privacy requirements, and our third-party hosted infrastructure, systems and services. We have undertaken critical GDPR compliance activity, and have a roadmap for other activities in 2019, including policies, training and guidance. The nature of our operating model means that significant amount of IHG’s confidential information assets are also held by or shared with third-party suppliers and parties, and we review those risks as part of our broader supply chain risk management arrangements.

- We also recognise the need for an appropriate response to incidents, by developing our incident management capability and working closely with our insurers to review the adequacy of protection for our risks as our cybersecurity and technology environment evolves.

- Our organisational changes in 2018 have brought focus to make IHG a stronger business partner and ensure we have appropriate business models deployed in each region to meet our owners’ needs.

- This includes targeted market strategies for franchising (where scale is important) and globally-led initiatives to increase the pace of openings/ramp up of hotel performance and tackle key pain points and systems across the hotel lifecycle and improve owner experience with IHG.

- The evolution of our marketing organisation, loyalty programme and enhancements to our brand portfolio described on page 20 is key to managing these risks and taking the opportunities for growth. Our marketing leadership has evolved during the year with increased capability in category, brand and customer insights; and the formation of a shared services organisation for guest experience.

- Trading and performance of properties and brands (signings) are reviewed as part of monthly business reviews. During 2018 this included a proactive focus on licence expirations which will continue into 2019.
Risk management continued

**Leadership and talent** risk is inherent to all businesses and failure to effectively attract, develop and retain talent in key areas could impact our ability to achieve growth ambitions and execute effectively. Risks relating to our people underpin many of our objectives. Capacity, capability, motivation, clarity of role, accountability for leadership, and behaviour are all significant aspects of this risk.

Failure to capitalise on innovation in booking technology and to maintain and enhance the functionality and resilience of our channel management and technology platforms (including those of third-parties on which we rely directly or indirectly), and to respond to changing guest and owner needs remains a dynamic risk and opportunity to IHG’s revenues and growth ambitions. This is particularly important with the emergence of both evolutionary and disruptive technologies and innovative uses of data to generate value.

Whilst the hotel sector is not subject to stringent industry specific regulations, the global business regulatory and contractual environment (for example relating to data privacy, human rights including modern slavery, labour laws and financial crime) and societal expectations are continuously evolving and failure to ensure legal, regulatory and ethical compliance would impact IHG operationally and reputationally. Regulators are also moving to impose significant fines for non-compliance.

**Failure to capitalise on innovation in booking technology and to maintain and enhance the functionality and resilience of our channel management and technology platforms** (including those of third-parties on which we rely directly or indirectly), and to respond to changing guest and owner needs remains a dynamic risk and opportunity to IHG’s revenues and growth ambitions. This is particularly important with the emergence of both evolutionary and disruptive technologies and innovative uses of data to generate value.

Our approach to managing our people is outlined in detail on pages 22 to 25 and our annual business planning process includes a review of workforce risks. IHG has the ability to manage the risk directly in relation to IHG staff but relies on owners and third-party suppliers to manage the risk in related activities.

We consider workforce risks when designing business initiatives and we prioritise delivery accordingly. Our Human Resources leaders partner directly with other leadership teams across IHG, and have supported and advised directly on our organisational changes during 2018 within transformation management meetings. Our Supply Chain Risk Council also considers more indirect workforce risks relating to our third-party relationships.

Performance management systems have been enhanced and a talent acquisition programme focuses our attraction strategy, recruiting, and employer brand management.

Several policies in our Code of Conduct (for example our Human Rights Policy) relate to the management of our people, describing our intolerance for inappropriate behaviours and appropriate adherence to those helps manage our risk.

- Our dedicated ethics and compliance specialists define and oversee IHG’s global policy framework and Code of Conduct, (see page 22), and manage the compliance programmes for anti-bribery, antitrust/competition law and sanctions. During 2018, there has been focus to respond to the changing regulatory requirements around privacy and data (including GDPR, China cybersecurity and California privacy laws), and continuing compliance and contractual responsibilities. We also continue to assess our broader role in relation to, for example human rights and modern slavery.

- The Ethics and Compliance team provides training to teams across IHG and is informed of incidents that may involve a potential breach of regulations to enable advice to be provided, including on any reporting or notification requirements. The Code of Conduct is increasingly requested from various stakeholders seeking transparency and understanding of our approach. It forms a key focal point for our risk management activity.

- The Board receives regular reports on matters directly related to our responsible business agenda, and there are also different functions, (from corporate responsibility to procurement), focused on supporting the business in relation to these matters. Our Confidential Disclosure Channel allows confidential reporting of ethical, social and environmental performance issues (including those with regulatory implications).

- Several changes to our organisational structure were implemented in 2018 to support our ability to meet the evolving (and accelerating) technological needs of owners and guests. This includes the integration of a single commercial and technology organisation incorporating our sales, channels, revenue management and technology capabilities, allowing us to maximise revenue delivery and bring new products and services to market faster. Our new global marketing organisation will work closely with commercial and technology in relation to our in-hotel guest experiences.

- We have also implemented the IHG Concerto platform during 2018 (see case study on page 21) and continue to seek opportunities to align systems to improve consistency and manage inherent delivery risks between IHG and our owners. Our Guest Reservation System (GRS) is hosted by a third-party vendor, Amadeus, in the cloud and supported by infrastructure which serves to decrease the likelihood of downtime. Availability of GRS and other key systems continues to be monitored on a 24/7 basis by the Network Operations Centre. Metrics are reported to Commercial and Technology leadership on a frequent basis.

- Effective and appropriate leveraging of data which we have a right to use is a key aspect of the interface between our marketing and our commercial and technology activity. We take account of regulatory and ethical factors as part of the decision making processes in relation to marketing and technological initiatives. We also rely on appropriate governance arrangements to mitigate risks that the validity of data that we use is undermined by cyber-attacks or operational failures. This risk is also impacted by strategic and operational factors relating to the location and structure of our assets – including use of third-parties and cloud computing arrangements. Several policies which form part of our Code of Conduct relate to this area of risk and adherence is monitored appropriately.

- We have an established approach to System Development Lifecycle and specific risks to delivery of the Global Reservations System have been managed throughout the programme of implementation (including those relating to technical delivery, business process testing and operation readiness testing).
## Risk management

### IHG’s ongoing agenda to accelerate growth

and strategic initiatives give rise to inherent risks, for example as we transition systems, operating models and processes. The changes which have been made to IHG’s extended enterprise raises inherent risk levels from third parties – for example before, during and after structural sourcing changes. These risks can include short-term disruption, reputational damage and longer-term breakdown of a commercial relationship.

### Inability to realise value from our programme and project delivery

(including reinvestment initiatives and culture and process changes) may result in failure to improve commercial performance, financial loss and undermining of stakeholder confidence. Following the organisational adjustments during 2018, there is an inherent risk that changes we have made could be unsustainable or that we are unable to achieve the return envisaged through reinvestment of the savings into growth initiatives.

### Macro external factors

such as political, economic, environmental and societal could have a mass impact on our ability to perform and grow.

<table>
<thead>
<tr>
<th>Trend</th>
<th>Impact</th>
<th>Initiatives to manage these risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Our focus on accelerating growth has included structured review (by senior management and the Board), of risks relating to offshoring and outsourcing. We have formed a strategic sourcing and management office to establish policies, support and advise on management processes, and oversee governance arrangements for IHG’s most important suppliers.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>A new Supply Chain Risk Council also reviews risks and control arrangements for IHG’s direct supply base across both corporate functions and hotel operations, for example where IHG has agreements in place and/or interacts directly with suppliers, including outsourced providers. Our legal teams review contracts and provide advice on litigation, where required, and our insurance programme also provides a degree of protection in the event of supplier failure.</strong></td>
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<td></td>
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<td><strong>Aspects of the risk relating to change have been managed explicitly by a dedicated programme management team during 2018 and we have implemented a framework for addressing risks within, and as a result of, change initiatives across IHG.</strong></td>
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<td></td>
<td></td>
<td><strong>Oversight teams, including our finance experts, have evolved governance and control frameworks to support key transformation programmes, for example in our commercial and technology operations. We also regularly review delegated approval authorities and processes to enable decisions on investments to be made quickly and efficiently with consideration of the risks involved.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>While these factors are mostly outside our direct control, we track uncertainties which may impact the hospitality industry and which need to be considered in our strategic and financial planning. These types of risks are addressed in strategy setting (including the review of our corporate responsibility approach, see page 68). They are also addressed in the annual business planning process and in regional risk management activities and reporting. We are increasingly using formal and informal scenario planning to anticipate the potential impact of these risks. The Board receives regular updates on these types of factors so that possible implications for IHG can be considered.</strong></td>
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<td></td>
<td></td>
<td><strong>Our in-house threat intelligence capability, supplemented by third-party expertise and methodology, supports growth, hotel operations and customer facing sales teams with planning and response to macro factors, for example concerns relating to terrorism or extreme weather events. Additionally, specific elements of our risk management framework relate to these areas, such as codes of conduct in relation to trade restrictions and the environment.</strong></td>
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</table>
Risk management continued

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Trend</th>
<th>Impact</th>
<th>Initiatives to manage these risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to maintain an effective safety and security system and to respond appropriately in the event of disruption or incidents affecting our operations more broadly could result in an adverse impact to IHG, such as reputational and/or financial damage and undermining stakeholder confidence. This risk relates both to our direct operations but also in relation to outsourced activities and others with whom we collaborate and trade.</td>
<td></td>
<td></td>
<td>• The environment in which IHG develops and operates hotels continues to evolve and impacts the safety and security risks faced by IHG. Although these risks are assessed as stable overall, our established management approach is subject to continuous review and improvement to minimise the risk of an incident relating to IHG’s management damaging the Group’s reputation. • Our design and engineering, hotel opening and operations teams work together with our risk management experts to evaluate standards and develop capability to respond to an incident via training, advanced intelligence tracking and standard operating procedures, and also deploy crisis management procedures where required for less predictable events.</td>
</tr>
<tr>
<td>A material breakdown in financial management and control systems would lead to increased public scrutiny, regulatory investigation and litigation. This risk includes our ongoing (and stable) operational risks relating to our financial management and control systems, and also the continuing expectations of IHG’s management decision making and financial judgements, in response to evolving accounting standards and our own business model and transactions.</td>
<td></td>
<td></td>
<td>• We continue to operate an established set of processes across our financial control systems, which is verified through testing relating to our Sarbanes-Oxley compliance responsibilities. See pages 50 and 125 to 129 for details of our approach to taxation, page 66 for details of our approach to internal financial control, and pages 144 to 146 for specific details on financial risk management policies. These processes and our financial planning continue to evolve to reflect the changes in our management structure and business targets. • During 2018 we have established a centre of excellence for financial planning and accounting to drive improved reporting, accelerated decision making, process standardisation, automation and talent alignment. Our Group insurance programmes are also maintained to support financial stability.</td>
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</tbody>
</table>

Viability statement

The Group’s annual planning process builds a robust three-year plan. The detailed three-year plan takes into consideration the principal risks, the Group’s strategy, and current market conditions. That 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 key assumptions included in the three-year plan relate to RevPAR, System size and no change to our stated dividend policy. There are no significant debt maturities in the period under consideration and therefore no assumptions have been included in relation to refinancing.

In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighing downside risks that would threaten the business model, future performance, solvency and liquidity of the Group more heavily than opportunities. The scenario testing focuses mostly, but not exclusively, on the impact of declining RevPAR on the viability of the Group, as most of the principal risks outlined on pages 26 to 30 will cause a deterioration in RevPAR.

The scenarios included a severe but plausible downturn like the financial crisis that occurred from 2008 to 2009 (when the Board maintained the ordinary dividend despite the severity of the downturn in trading), a widespread cybersecurity breach 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. These actions included a reduction in capital expenditure, salary freezes and suspension of bonus plans and the ordinary dividend. The results confirmed that the Group would be able to withstand the impact of each scenario.

The Directors have determined that the three-year period to 31 December 2021 is an appropriate period to be covered by the viability statement. Although hospitality industry business cycles are on average longer than three years, the end of those cycles has only resulted in declining RevPAR when that has been caused by exogenous shocks, and the decline in RevPAR has only lasted two years. The Board has therefore determined that no additional insight can be gained from assessing these scenarios over a longer period.

The Directors have assessed the viability of the Group over a three-year period to 31 December 2021, 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 2021.
Link between KPIs and Director remuneration

As we continued our focus on delivering high-quality growth as in prior years, Directors’ Remuneration for 2018 was directly related to key aspects of our Strategic Model and targeted portfolio. The following indicates which KPIs have impacted Directors’ Remuneration:

The Annual Performance Plan
- 70% was linked to EBIT
- 30% was linked to strategic measures, of which:
  - 15% was linked to improvements in net System size growth
  - 15% was linked to the delivery of our comprehensive efficiency programme

The Long Term Incentive Plan
- 50% was linked to Total Shareholder Return
- 25% was linked to rooms growth
- 25% was linked to RevPAR growth

For more information on Directors’ Remuneration see pages 72 to 85

A guide to this KPI section

Link to our Strategic Model
Our Strategic Model is at the heart of our success. The five strategic initiatives are represented as follows:

1. Build and leverage scale
2. Strengthen loyalty programme
3. Enhance revenue delivery
4. Evolve owner proposition
5. Optmise our preferred portfolio of brands for owners and guests

Link to Doing Business Responsibly
We consult with our stakeholders to determine the issues that are most relevant to them and IHG. Based on this feedback there are four priority areas, which are indicated by the following icons:

- Our people
- Environmental sustainability
- Community and society impact
- Responsible procurement

KPIs

Strategic Model and targeted portfolio

Net rooms supply
Net total number of rooms in the IHG System.

Increasing our rooms supply provides significant advantages of scale, including increasing the value of our loyalty programme. This measure is a key indicator of achievement of our growth agenda, (see page 19).

Signings
Gross total number of rooms added to the IHG pipeline.

Continued signings secures the future growth of our System and continued efficiencies of scale. Signings indicate our ability to deliver sustained growth (see page 19).

2018 status and 2019 priorities

2018 status
Accelerated net System size growth to 4.8%, and achieved our highest number of signings in 10 years driven by:
- Further growth of our mainstream brands with Holiday Inn and Holiday Inn Express representing nearly half of all signings.
- Expansion of our portfolio of brands:
  - Mainstream – opened the first avid hotel, made 129 signings in 2018 and signed a partnership agreement to bring avid to Germany.
  - Upscale – launched voco hotels with two openings in 2018.
  - Luxury – acquired a majority stake in Regent Hotels & Resorts.
- Bringing our existing brands to new markets:
  - Continued global expansion of Kimpton with 18 deals signed.
  - Opened 13 InterContinental hotels, our highest number in 10 years.

2019 priorities
Continue progression towards industry-leading net System size growth.
- Further scale avid hotels including more openings (see page 40).
- Scale our new upscale brand, voco hotels (see page 43).
- Build greater international scale for Kimpton.
- Launch new upper midscale US all-suites brand, and scale Six Senses Hotels Resorts Spas.
Key performance indicators (KPIs) continued

Growth in underlying fee revenues\(^a, b\)

Group revenue excluding revenue from owned, leased and managed lease hotels, significant liquidated damages and current year acquisitions.

Underlying fee revenue growth demonstrates the continued attractiveness to owners and guests of IHG’s franchised and managed business (see page 14).

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.5%</td>
</tr>
<tr>
<td>2017</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Total gross revenue from hotels in IHG’s System

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

The growth in gross revenue from IHG’s System illustrates the value of our overall System to our owners (see page 15).

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (bn)</th>
</tr>
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<tbody>
<tr>
<td>2018</td>
<td>$27.4bn</td>
</tr>
<tr>
<td>2017</td>
<td>$25.7bn</td>
</tr>
<tr>
<td>2016</td>
<td>$24.5bn</td>
</tr>
<tr>
<td>2015</td>
<td>$24.0bn</td>
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</tbody>
</table>

System contribution to revenue

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

System contribution is an indicator of IHG value-add and the success of our marketing distribution channels (see page 14).

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>78%</td>
</tr>
<tr>
<td>2017</td>
<td>76%</td>
</tr>
<tr>
<td>2016</td>
<td>75%</td>
</tr>
<tr>
<td>2015</td>
<td>73%</td>
</tr>
</tbody>
</table>

2018 status and 2019 priorities

2018 status

- Expansion of Holiday Inn Express Franchise Plus model in Greater China with 146 hotels open or in the pipeline.
- Combined our Commercial and Technology functions allowing us to maximise revenue delivery and bring new products and services to market faster.
- Grew digital (web and mobile) revenue, by 13% to $5.3 billion.
- Launched two new US IHG Rewards Club co-branded credit cards (see page 13 for details).

2019 priorities

- Leverage the expansion of our franchise offer for Holiday Inn and Crowne Plaza in Greater China, alongside Holiday Inn Express Franchise Plus model.
- Continue to innovate our loyalty offering to provide greater opportunities for our members to earn and redeem IHG Rewards Club points.
- Maintain our focus on increasing contribution from IHG Rewards Club members, and through direct bookings via our website or call centres.
- Continue to grow our share of bookings through the IHG® App, whilst also increasing engagement within the App.
- Enhance our owner offer by leveraging technology and increasing investment in owner support.

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\(^a\) In 2018 the underlying fee revenue calculation was restated for 2016 onwards following implementation of IFRS 15. The 2015 and 2016 growth figures are not comparable and thus excluded from comparison.

\(^b\) Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 36 and reconciliations to IFRS figures, where they have been adjusted, are on pages 172 and 173. Total underlying fee revenue growth is stated at constant currency.
KPIs

Strategic Model and targeted portfolio continued

Global RevPAR growth
Revenue per available room: rooms revenue divided by the number of room nights that are available.

RevPAR growth indicates the increased value guests ascribe to our brands in the markets in which we operate and is a key measure widely used in our industry (see page 8).

2018 status
• Completed the global roll out of IHG Concerto™ (see page 21).
• Created a new global marketing function bringing together our brand, loyalty and marketing capabilities to drive greater agility and efficiencies.
• Continued roll out of new guest room designs across all regions and rapid deployment of new Holiday Inn Express breakfast offering in the US to over 1,500 hotels.
• In 2018 one third of the US Crowne Plaza estate underwent or completed renovations or property improvements as part of the Crowne Plaza Accelerate programme, a multi-year programme to transform Crowne Plaza in the Americas region.

2019 priorities
• Continue to build on IHG Concerto with phased roll out of additional functionality.
• Continue to invest in brand innovation, including room design and hotel layout to meet evolving guest needs, including refresh of our extended stay brands.
• Ensure that, whilst driving strong rooms supply growth, we maintain a high level of guest satisfaction across our entire portfolio with removals from the System.

Guest Love
IHG’s guest satisfaction measurement indicator.

Guest satisfaction is fundamental to our continued success and is a key measure to monitor the risk of failing to deliver preferred brands that meet guests’ expectations (see page 27 for details).

2018 status and 2019 priorities

A LT

2018 status

2018 2.5%
2017 2.7%
2016 1.8%
2015 4.4%

2019 priorities

2018 81.7%
2017 80.9%
2016 80.4%
2015 79.5%

* Changes to the method for calculating IHG’s guest satisfaction scores (previously Guest HeartBeat) were introduced in 2016. The comparative for 2015 has been restated.
Key performance indicators (KPIs) continued

**Disciplined execution**

**Fee margins**
Operating profit as a percentage of revenue, excluding System Fund, reimbursement of costs, revenue and operating profit from owned, leased and managed lease hotels, significant liquidated damages, current year acquisitions and exceptional items.

Our fee margin progression indicates the profitability of our fee revenue growth and benefit of our asset-light business model (see page 14).

- **2018 status**
  - Merged our Europe and Asia, Middle East and Africa regions to leverage scale and focus investment.
  - On track to deliver ~$125 million in annual savings, including System Fund, by 2020 for reinvestment to drive growth.

- **2019 priorities**
  - Continuation of our strong cost and efficiency focus.
  - Leverage our increasing scale in operations and systems to drive economies of scale.
  - Continue to strengthen our delivery capabilities to ensure that critical in-hotel initiatives are embedded on time and on target.
  - Enhance our supplier management capabilities to drive efficiencies.
  - Continue to look for further operational efficiencies through greater application of technology.

**Free cash flow**
Cash flow from operating activities (after interest and tax paid), less purchase of shares by employee share trusts and maintenance capital expenditure, including key money paid.

Free cash flow provides funds to invest in the business, sustainably grow the dividend and return any surplus to shareholders (see page 16). It is a key component in measuring the ongoing viability of our business (see page 30).

- **2018 status**
  - Free cash flow grew by $93 million to $609 million, due to growth in operating profit from reportable segments and reduction in cash tax.

- **2019 priorities**
  - Continue to deliver consistent, sustained growth in profits and cash flow.
  - Control capital deployment in line with business priorities.
  - Continue programme to recycle capital invested in minor equity positions and joint ventures, over time, when conditions are favourable.

---

*a* In 2018 the fee margin calculation was restated for 2016 onwards following implementation of IFRS 15. The 2015 figure is not comparable and is thus excluded from comparison.

*b* Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 36 and reconciliations to IFRS figures, where they have been adjusted, are on pages 172 to 175.

*c* Cash flow was introduced as a new measure for the 2017/19 LTIP cycle. Cumulative free cash flow over the three-year performance period forms part of the measure, with some adjustments. The target for each successive cycle is determined annually, taking into account IHG’s long-range business plan, market expectations and circumstances at the time.

*d* In 2016, free cash flow excluded the $95 million cash receipt from renegotiation of long-term partnership agreements.
Doing business responsibly

**IHG® Academy**

Number of people participating in IHG Academy programmes.

Sustained participation in the IHG Academy indicates the strength of our progress in creating career building opportunities and engagement with the communities in which we operate (see page 24).

### 2018 status and 2019 priorities

#### 2018 status
- We undertook a comprehensive review of the IHG Academy programme to create a series of recommendations to help us grow in the coming years.
- We ran 2,203 IHG Academy programmes across 70 countries.

#### 2019 priorities
- Continue to provide skills and improved employability to people through IHG Academy, ensuring a positive impact for local people, our owners and IHG.
- Build on programme review and refresh supporting materials to drive greater participation and deliver engaging candidate experience.
- Deliver a globally scaled approach to IHG Academy, utilising it as a frontline recruitment tool.
- Enhancing IHG Academy’s reputation amongst academic institutions and community partners, as being an outstanding programme for students.
- Continue to drive quality growth in the programme towards our longer-term target of 30,000–40,000 IHG Academy participants by 2020.

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**Carbon footprint**

Carbon footprint per occupied room.

We work with our hotels to drive reductions in carbon emissions, to reduce our overall carbon footprint (see page 24).

### 2018 status
- Achieved 2.2% reduction in our carbon footprint per occupied room from 2017 baseline.

### 2019 priorities
- Continue to reduce our carbon footprint across our entire estate.
- Partner with owners and our hotels to share best practices to help drive greater reductions.

---

**Employee Engagement survey scores**

Average of our revised bi-annual Colleague HeartBeat survey, completed by our corporate, customer reservations office and managed hotel employees (excluding our joint ventures).

We measure employee engagement to monitor risks relating to talent (see page 28) and to help us understand the issues that are relevant to our people as we build a diverse and inclusive culture (see page 23).

### 2018 status
- Launched improved and simplified performance management process.
- Launched a new tool to help IHG assess and prepare hotel leaders in Greater China, our fastest growing region (see page 23).

### 2019 priorities
- Continue to refine performance management processes, in order to focus on productive development conversations.
- Further drive adoption of improvements to our human resources systems, including online colleague training, to further our ability to develop and retain talent.
- Support the recruitment and development of General Managers for our managed hotels.
- Drive adoption of our learning solutions, such as the IHG Frontline training curriculums, and branded service culture programmes across all IHG hotels.

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* In 2018 the carbon reduction measure was restated in line with a new baseline for the 2018-2020 target. The 2016 and 2015 figures could not be restated and are not comparable.

* In 2017 the employee engagement survey was revised and relaunched as the Colleague HeartBeat survey. The 2016 and 2015 figures relate to previous survey results, which could not be restated and are not comparable.

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Please see [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business) for our 2018-2020 Responsible Business targets.
Performance
Key performance measures (including Non-GAAP measures) used by management

As well as the performance measures found in the Group Financial Statements, the following key performance measures are included in the performance review (and IHG at a glance on pages 2 and 3).

These financial measures are either not defined under IFRS or are adjusted IFRS figures and are therefore described as Non-GAAP measures. They should be viewed as complementary to, and not as a substitute for, the measures prescribed by GAAP.

Total gross revenue in IHG’s System
Total gross revenue provides a measure of the overall strength of the Group’s brands. It comprises total rooms revenue from franchised hotels and total hotel revenue from managed, owned, leased and managed lease hotels. Other than owned, leased and managed lease hotels, total gross revenue is not revenue attributable to IHG as it is derived from hotels owned by third parties. A reconciliation of total gross revenue to the owned, leased and managed lease revenue included in the Group Financial Statements is set out on page 38.

Revenue and operating profit measures
In each of the following measures, System Fund results are excluded as the System Fund is not managed to a profit or loss for IHG, although an in-year surplus or deficit can arise. Revenues related to the reimbursement of costs, and the related costs, are excluded as operating profit is unaffected and an increase in these does not indicate growth for the business. Exceptional items are also excluded as they can be significantly skewed by one off events, for example reorganisation costs (see note 6 on page 124). Operating profit measures are, by their nature, before interest and tax. A pre-interest and pre-tax measure excludes the impact of the Group’s financing and external factors such as legislative changes, respectively. A pre-interest and pre-tax measure is considered more reflective of the Group’s success in executing against its strategy.

Revenue from reportable segments and operating profit from reportable segments – comprises the Group’s fee business and owned, leased and managed lease hotels. This measure is disclosed in note 2 to the Group Financial Statements.

Underlying interest
This is a new measure in the year following the adoption of IFRS 15 and includes the interest payable to the System Fund on the outstanding cash balance relating to the IHG Rewards Club programme. In addition the Group’s financial expenses are presented net of System Fund expenses, any interest and tax relating to the System Fund, exceptional items, and their related tax impacts. Adjusted earnings per ordinary share is calculated by dividing underlying profit for the period available for IHG equity holders by the weighted average number of ordinary shares in issue during the period, excluding investment in own shares. The presentation of underlying earnings per ordinary share allows a better view of the Group’s underlying tax rate on ordinary operations and aids comparability year-on-year.

Adjusted earnings per ordinary share, Underlying earnings per ordinary share
Adjusted earnings per ordinary share exclude System Fund revenues and expenses, any interest and tax relating to the System Fund, exceptional items, and their related tax impacts. Adjusted earnings per ordinary share provides a per share measure that is not skewed by the result of the System Fund or exceptional items. Underlying earnings per ordinary share is calculated by removing these provides a better view of the Group’s underlying tax rate on ordinary operations and aids comparability year-on-year.

Net debt, Net capital expenditure, Free cash flow
Net debt is used in the monitoring of the Group’s liquidity and capital structure, and is used to calculate the key ratios attached to the Group’s bank covenants. Net debt comprises loans and other borrowings, derivatives hedging debt values, less cash and cash equivalents, and is reconciled to the amounts included in the Group Financial Statements in note 21 on page 143.

Net capital expenditure is defined as cash flow from investing activities less contract acquisition costs, excluding the acquisition of businesses net of cash acquired, tax paid on disposals and adjusted for System Fund depreciation and amortisation (recovery of previous System Fund capital expenditure). For internal management reporting, capital expenditure is reported as either maintenance, recyclable, or System Fund. The disaggregation of net capital expenditure provides useful information as it enables users to distinguish between System Fund capital investments and recyclable investments (such as investments in associates and joint ventures), which are intended to be recoverable in the medium term, compared with maintenance capital expenditure (including key money paid), which represents a permanent cash outflow.

Free cash flow is defined as cash flow from operating activities (after interest and tax paid) and excluding contract acquisition costs net of repayments, less purchase of shares by employee share trusts and maintenance capital expenditure (including key money paid). Free cash flow is a useful measure for investors, as it represents the cash available to invest back into the business to drive growth, pay the ordinary dividend, with any surplus being available for additional returns to shareholders. These measures have limitations as they omit certain components of the overall cash flow statement. They are not intended to represent IHG’s residual cash flow available for discretionary expenditures, nor do they reflect our future capital commitments. These measures are used by many companies, but there can be differences in how each company defines the terms, limiting their usefulness as a comparative measure. Therefore, it is important to view these measures only as a complement to the Group statement of cash flows.

Underlying revenue and underlying operating profit – adjusts the above to exclude the impact of owned asset disposals, significant liquidated damages, current year acquisitions, all translated at constant currency using prior year exchange rates. The presentation of these performance measures allows a better understanding of comparable year-on-year trading and enables an assessment they can be significantly skewed by one off events, for example reorganisation costs (see note 6 on page 124). Operating profit measures are, by their nature, before interest and tax. A pre-interest and pre-tax measure excludes the impact of the Group’s financing and external factors such as legislative changes, respectively. A pre-interest and pre-tax measure is considered more reflective of the Group’s success in executing against its strategy.

Underlying fee revenue and fee margin – further analyses the above for the Group’s fee business only, reflecting the Group’s core fee-based business model. Underlying fee revenue is at constant currency using prior year exchange rates, fee margin is at actual exchange rates.

Operating profit from reportable segments before central overheads – used only to assist in understanding the relative contribution of IHG’s regions to the Group, and as such central overheads are excluded.

Strategic Report

The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 172 to 175 and the glossary on pages 204 to 205.
**Group results**

<table>
<thead>
<tr>
<th>2018 $m</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
<th>2016 Restated $m</th>
<th>2017 vs 2016 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>1,051</td>
<td>999</td>
<td>5.2</td>
<td>969</td>
</tr>
<tr>
<td>EMEAA</td>
<td>569</td>
<td>457</td>
<td>24.5</td>
<td>439</td>
</tr>
<tr>
<td>Greater China</td>
<td>143</td>
<td>117</td>
<td>22.2</td>
<td>112</td>
</tr>
<tr>
<td>Central</td>
<td>170</td>
<td>157</td>
<td>8.3</td>
<td>147</td>
</tr>
<tr>
<td>Revenue from reportable segments</td>
<td>1,933</td>
<td>1,730</td>
<td>11.7</td>
<td>1,667</td>
</tr>
<tr>
<td>System Fund revenues</td>
<td>1,233</td>
<td>1,242</td>
<td>(0.7)</td>
<td>1,199</td>
</tr>
<tr>
<td>Reimbursement of costs</td>
<td>1,171</td>
<td>1,103</td>
<td>6.2</td>
<td>1,046</td>
</tr>
<tr>
<td>Total revenue</td>
<td>4,337</td>
<td>4,075</td>
<td>6.4</td>
<td>3,912</td>
</tr>
</tbody>
</table>

**Operating profit**

| Americas | 662 | 637 | 3.9 | 626 | 1.8 |
| EMEAA | 202 | 171 | 18.1 | 157 | 8.9 |
| Greater China | 69 | 52 | 32.7 | 46 | 13.0 |
| Central | 170 | 157 | 9.9 | 147 | 6.8 |
| Operating profit from reportable segments | 816 | 758 | 7.7 | 706 | 7.4 |
| System Fund result | (146) | (34) | (329.4) | 35 | (197.1) |
| Operating profit before exceptional items | 670 | 724 | (7.5) | 741 | (2.3) |
| Exceptional items | (104) | 4 | (2,700.0) | (29) | 113.8 |

**Operating profit**

| Americas | 566 | 728 | (22.3) | 712 | 2.2 |
| EMEAA | 457 | 728 | (22.3) | 712 | 2.2 |
| Greater China | 457 | 728 | (22.3) | 712 | 2.2 |
| Central | 457 | 728 | (22.3) | 712 | 2.2 |
| Net financial expenses | (81) | (72) | (12.5) | (80) | 10.0 |
| Profit before tax | 485 | 656 | (26.1) | 632 | 3.8 |

**Earnings per ordinary share**

| Basic | 184.7¢ | 279.8¢ | (34.0) | 215.1¢ | 30.1 |
| Adjusted | 292.1¢ | 244.6¢ | 19.4 | 203.8¢ | 20.0 |

**Average US dollar to sterling exchange rate**

| $1: | £0.75 | £0.78 | (3.8) | £0.74 | 5.4 |

**Highlights for the year ended 31 December 2018**

During the year ended 31 December 2018, total revenue increased by $262m (6.4%) to $4,337m, whilst revenue from reportable segments increased by $203m (11.7%) to $1,933m, primarily resulting from 4.8% rooms growth, 2.5% comparable RevPAR growth and the addition of a portfolio in the UK. Operating profit and profit before tax decreased by $162m (22.3%) and $171m (26.1%) respectively, due to a $108m increase in exceptional items, largely associated with restructuring costs related to the comprehensive efficiency programme and a one-off marketing assessment in 2018 and would otherwise have continued to grow, benefiting from efficiency improvements and our global scale.

Basic earnings per ordinary share decreased by 34.0% to 184.7¢, whilst adjusted earnings per ordinary share increased by 19.4% to 292.1¢.

Fee margin was 52.4%, remaining in line with 2017 (up 0.1 percentage points at constant currency, removing the impact of foreign exchange movements). Fee margin was impacted by growth investment in excess of realised savings from the comprehensive efficiency programme and a one-off marketing assessment in 2018 and would otherwise have continued to grow, benefiting from efficiency improvements and our global scale.

### Accounting principles

The Group results are prepared under International Financial Reporting Standards (IFRS) and following the adoption of IFRS 15 ‘Revenue from Contracts with Customers’ the 2017 and 2016 comparatives have been restated. 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 page 108 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. An analysis of exceptional items is included in note 6 on page 124 of the Group Financial Statements.
Highlights for the year ended 31 December 2017

During the year ended 31 December 2017, total revenue increased by $163m (4.2%) to $4,075m, whilst revenue from reportable segments increased by $63m (3.8%) primarily due to 4.0% rooms growth and 2.7% comparable RevPAR growth. Operating profit and profit before tax increased by $16m (2.2%) and $24m (3.8%) respectively. Operating profit from reportable segments increased by $52m (7.4%) to $758m. Underlying revenue and underlying operating profit increased by $74m (4.4%) and $56m (7.9%) respectively. Comparable RevPAR increased by 2.7% (including an increase in average daily rate of 1.1%). IHG System size increased by 4.0% to 798,075 rooms, whilst underlying fee revenue increased by 4.7%.

Fee margin was 52.4%, up 1.8 percentage points (up 1.7 percentage points at constant currency, removing the impact of foreign exchange movements) on 2016. Fee margin benefited from efficiency improvements and by leveraging our global scale. Basic earnings per ordinary share increased by 30.1% to 279.8¢, reflecting the increase in operating profit and the impact of the share capital reduction as a result of the share consolidation in May 2017 whilst adjusted earnings per ordinary share increased by 20.0% to 244.6¢.

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, leased and managed lease hotels. Other than owned, leased and managed lease hotels, total gross revenue is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties. Total gross revenue in IHG’s System increased by 6.6% (6.2% increase at constant currency) to $27.4bn, driven by IHG System size and comparable RevPAR growth.

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### Group total gross revenue in IHG’s System

<table>
<thead>
<tr>
<th>Analysed by brand</th>
<th>2018 $bn</th>
<th>2017 Restated $bn</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>5.1</td>
<td>4.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Kimpton</td>
<td>1.3</td>
<td>1.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>4.5</td>
<td>4.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>0.5</td>
<td>0.4</td>
<td>25.0</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>0.1</td>
<td>0.1</td>
<td>–</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>6.5</td>
<td>6.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>7.1</td>
<td>6.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>0.9</td>
<td>0.9</td>
<td>–</td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>0.8</td>
<td>0.8</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
<td>0.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>27.4</td>
<td>25.7</td>
<td>6.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysed by ownership type</th>
<th>2018 $bn</th>
<th>2017 Restated $bn</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>27.0</td>
<td>25.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>0.4</td>
<td>0.4</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>27.4</td>
<td>25.7</td>
<td>6.6</td>
</tr>
</tbody>
</table>

---

a  Underlying revenue and underlying operating profit both exclude System Fund revenues and expenses, reimbursement of costs, the impact of owned asset disposals, significant liquidated damages and current year acquisitions, all translated at constant currency using prior year exchange rates. Underlying operating profit growth also excludes the impact of exceptional items (see pages 172 and 173).

b  Underlying fee revenue is defined as Group revenue excluding revenue from owned, leased and managed lease hotels, System Fund revenues, reimbursement of costs, the impact of owned asset disposals, significant liquidated damages and current year acquisitions (see pages 172 and 173).

c  See note 3 of the Group Financial Statements on page 120.
During 2018, the global IHG System (the number of hotels and rooms which are franchised, managed, owned, leased or managed lease) increased by 255 hotels (38,466 rooms) to 5,603 hotels (836,541 rooms).

Openings of 362 hotels (56,343 rooms) were 27.0% higher than in 2017. Openings in the Americas included 135 hotels (13,392 rooms) in the Holiday Inn brand family. 77 hotels (18,812 rooms) were opened in Greater China in 2018, with the EMEAA region also contributing openings of 77 hotels (15,283 rooms). 107 hotels (17,877 rooms) left the IHG System in 2018, a decrease from the previous year (111 hotels, 17,247 rooms).

Group signings increased from 605 hotels in 2017 to 691 hotels and rooms increased from 83,481 rooms to 98,814 rooms. This included 314 hotels (44,649 rooms) signed for the Holiday Inn brand family, 40.2% of which were contributed by Greater China (99 hotels, 17,958 rooms).

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 125 hotels (15,669 rooms), compared to 135 hotels (21,224 rooms) in 2017.
“In 2018, we signed the highest number of rooms in 10 years. We expanded our mainstream leadership with innovations to our Holiday Inn Express, Holiday Inn and extended stay brands, and launched avid hotels. We also increased our luxury and upscale presence with the growth of InterContinental, Kimpton and Hotel Indigo and investments in Crowne Plaza.”

Elie Maalouf
Chief Executive Officer, Americas

**Americas revenue 2018** ($1,051m)

- 54%

**Americas number of rooms** (510,129)

- 61%

**Regional priorities**

- Expand our mainstream leadership with the continued roll out of new innovations to Holiday Inn Express and Holiday Inn, as well as the ongoing growth of avid hotels.
- Continue to build our luxury presence and broaden the footprints for InterContinental Hotels & Resorts and Kimpton Hotels & Restaurants.
- Capitalise on the momentum of the Crowne Plaza Accelerate programme with the continued roll out of new room and public space designs.
- Solidify our strong performance in the extended stay market segment. Our new designs for Staybridge Suites and Candlewood Suites will be available to the full Americas estate in 2019.
- Building on our mainstream strength, in February 2019 we announced plans to launch into the US a new all-suites upper midscale brand, targeted at an underserved $18 billion industry segment.

**Regional highlights**

**Successful launch of avid**

- avid was created to reach an important set of business and leisure travellers in an underserved $20 billion segment of the US midscale market. Designed with input from target consumers and an advisory board of leading IHG owners, the brand experience delivers exactly what guests have been waiting for in a mainstream hotel – the essentials done exceptionally well – while also being easy to build, operate and maintain.
- We have signed more than 170 avid hotels across the US, Canada and Mexico since launch in September 2017, and opened our first hotel in Oklahoma City. This makes it the fastest new development brand to progress from concept to launch for IHG. This strong momentum firmly positions the brand as a long-term driver of Americas growth.

**Comparable RevPAR movement on previous year**

(12 months ended 31 December 2018)

<table>
<thead>
<tr>
<th>Fee business</th>
<th></th>
<th>InterContinental</th>
<th>4.6%</th>
<th>Kimpton</th>
<th>1.2%</th>
<th>Crowne Plaza</th>
<th>0.3%</th>
<th>Hotel Indigo</th>
<th>4.7%</th>
<th>EVEN Hotels</th>
<th>9.5%</th>
<th>Holiday Inn</th>
<th>1.8%</th>
<th>Holiday Inn Express</th>
<th>1.6%</th>
<th>Staybridge Suites</th>
<th>3.3%</th>
<th>Candlewood Suites</th>
<th>1.7%</th>
<th>All brands</th>
<th>1.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned, leased and managed lease</td>
<td></td>
<td>InterContinental</td>
<td>1.1%</td>
<td>EVEN Hotels</td>
<td>5.6%</td>
<td>Holiday Inn</td>
<td>11.5%</td>
<td>All brands</td>
<td>5.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Industry performance in 2018**

Industry RevPAR in the Americas increased by 3.4%, driven by a 2.9% average daily rate growth and 0.3ppt occupancy growth. Occupancy achieved its highest level ever recorded, topping the record set in 2017. Room demand grew 2.4%, with slower growth in the latter part of 2018 due to lapping of two hurricanes that propelled demand in the US in late 2017. Supply growth remained in line with 2017 at 1.9%.

US lodging industry room demand advanced 2.5% in 2018, its largest increase since 2014, whilst supply growth increased to 2.0%. US industry RevPAR increased by 2.9% in 2018, led by a 2.4% average daily rate growth. RevPAR in the US upper midscale chain scale, where the Holiday Inn and Holiday Inn Express brands operate, increased by 1.4%.

In Canada, industry RevPAR increased by 5.3%, driven by a 4.3% increase in average daily rate, and in Mexico, RevPAR declined by 1.9%, led by a 9.0ppt fall in occupancy.

**IHG’s regional performance in 2018**

IHG’s comparable RevPAR in the Americas increased by 1.9%, driven by 1.7% average daily rate growth. The region is predominantly represented by the US, where comparable RevPAR increased by 1.3%. In the US, we are most represented by our mainstream brands Holiday Inn and Holiday Inn Express. RevPAR in our mainstream brands increased slightly behind the market segment overall, with RevPAR for the Holiday Inn brand increasing by 1.1%, whilst the Holiday Inn Express brand increased by 1.4%, in line with the market segment.

Canada achieved strong RevPAR growth of 5.2%, whilst Mexico RevPAR grew 2.0%, led by rate growth.
### Americas results

#### Revenue from the reportable segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>2018 $m</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
<th>2016 $m</th>
<th>2016 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>853</td>
<td>811</td>
<td>5.2</td>
<td>796</td>
<td>1.9</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>198</td>
<td>188</td>
<td>5.3</td>
<td>173</td>
<td>8.7</td>
</tr>
<tr>
<td>Total</td>
<td>1,051</td>
<td>999</td>
<td>5.2</td>
<td>969</td>
<td>3.1</td>
</tr>
</tbody>
</table>

#### Percentage of Group revenue from reportable segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>2018 %</th>
<th>2017 Restated %</th>
<th>2018 vs 2017 % change</th>
<th>2016 %</th>
<th>2016 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>54.4</td>
<td>57.7</td>
<td>(3.3)</td>
<td>58.1</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Operating profit from the reportable segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>2018 $m</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
<th>2016 $m</th>
<th>2016 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>633</td>
<td>608</td>
<td>4.1</td>
<td>602</td>
<td>1.0</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>29</td>
<td>29</td>
<td></td>
<td>24</td>
<td>20.8</td>
</tr>
<tr>
<td>Total</td>
<td>662</td>
<td>637</td>
<td>3.9</td>
<td>626</td>
<td>1.8</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(36)</td>
<td>(197.3)</td>
<td></td>
<td>(29)</td>
<td>227.6</td>
</tr>
<tr>
<td>Operating profit</td>
<td>626</td>
<td>674</td>
<td>(7.1)</td>
<td>597</td>
<td>12.9</td>
</tr>
</tbody>
</table>

#### Percentage of Group operating profit from reportable segments before central overheads

<table>
<thead>
<tr>
<th>Segment</th>
<th>2018 %</th>
<th>2017 Restated %</th>
<th>2018 vs 2017 % change</th>
<th>2016 %</th>
<th>2016 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>74.1</td>
<td>74.1</td>
<td>(3.1)</td>
<td>75.5</td>
<td>(1.4)</td>
</tr>
</tbody>
</table>

### Highlights for the year ended 31 December 2018

With 4,161 hotels (510,129 rooms), the Americas represented 61% of the Group’s room count. The key profit generating 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 under our mainstream brands (including the Holiday Inn brand family). In the upscale market segment, Crowne Plaza is predominantly franchised whereas, in the luxury market segment, InterContinental-branded hotels are operated under both franchise and management agreements, whilst Kimpton is managed. 12 of the Group’s 15 hotel brands are represented in the Americas.

Revenue from the reportable segment increased by $52m (5.2%) to $1,051m, whilst operating profit decreased by $48m (7.1%) to $626m. Operating profit from the reportable segment increased by $25m (4.1%) to $637m respectively, partly offset by a delay in the recognition of a payroll tax credit, the implementation of the previously disclosed Crowne Plaza Accelerate financial incentives, and the annualisation of our investment in the Americas development team.

Comparable RevPAR grew 1.6%, including 1.9% for Holiday Inn and 1.7% for Holiday Inn Express, whilst net rooms grew 1.9%.

Owned, leased and managed lease revenue increased by $15m (8.7%) to $188m, whilst operating profit increased by $5m (20.8%) to $29m due to North American inbound business to Holiday Inn Aruba and the ramp up of EVEN Hotels Brooklyn.

### Highlights for the year ended 31 December 2017

Revenue from the reportable segment increased by $30m (3.1%) to $999m and operating profit increased by $77m (12.9%) to $674m. Operating profit from the reportable segment increased by $11m (1.8%) to $637m. On an underlying basis, revenue increased by $35m (3.6%), whilst operating profit increased by $16m (2.6%), driven predominantly by RevPAR growth in the fee business and an increase in net rooms.

Revenue and operating profit from the reportable segment are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue and operating profit increased by $15m (1.9%) to $811m and by $6m (1.0%) to $608m respectively, partly impacted by adverse foreign exchange (revenue $5m, and operating profit $5m) as growth from RevPAR and net rooms growth were partly offset by a delay in the recognition of a payroll tax credit, the implementation of the previously disclosed Crowne Plaza Accelerate financial incentives, and the annualisation of our investment in the Americas development team.

Comparable RevPAR grew 1.6%, including 1.9% for Holiday Inn and 1.7% for Holiday Inn Express, whilst net rooms grew 1.9%.

Owned, leased and managed lease revenue increased by $15m (8.7%) to $188m, whilst operating profit increased by $5m (20.8%) to $29m due to North American inbound business to Holiday Inn Aruba and the ramp up of EVEN Hotels Brooklyn.

### Notes

1. Americas reportable segment includes revenue and operating profit before exceptional items, excluding System Fund revenues and expenses, reimbursement of costs, for both fee business and owned, leased and managed lease hotels.
2. Operating profit from reportable segments before central overheads excludes exceptional items, System Fund revenues and expenses, reimbursement of costs, and central overheads, to assist understanding of the relative contribution of IHG’s regions to the Group.
3. Underlying revenue and underlying operating profit both exclude System Fund revenues and expenses, reimbursement of costs, the impact of owned asset disposals, significant liquidated damages and current year acquisitions, all translated at constant currency using prior year exchange rates. Underlying operating profit growth also excludes the impact of exceptional items (see pages 172 and 173).
4. The impact of movements between the previous year’s average exchange rates and actual average exchange rates in 2018.
Americas hotel and room count

At 31 December 2018

<table>
<thead>
<tr>
<th>Hotels</th>
<th>Change over 2017</th>
<th>Rooms</th>
<th>Change over 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>InterContinental</td>
<td>51</td>
<td>1</td>
<td>17,753</td>
</tr>
<tr>
<td>Kimpton</td>
<td>64</td>
<td>(1)</td>
<td>12,307</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>156</td>
<td>6</td>
<td>41,499</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>57</td>
<td>7,495</td>
<td>667</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>10</td>
<td>2</td>
<td>1,551</td>
</tr>
<tr>
<td>Holiday Inn†</td>
<td>774</td>
<td>1</td>
<td>134,492</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>2,289</td>
<td>72</td>
<td>206,620</td>
</tr>
<tr>
<td>avid hotels</td>
<td>1</td>
<td>1</td>
<td>87</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>261</td>
<td>17</td>
<td>28,032</td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>396</td>
<td>20</td>
<td>37,210</td>
</tr>
<tr>
<td>Other</td>
<td>102</td>
<td>13</td>
<td>23,083</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,161</td>
<td>132</td>
<td>510,129</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** | | | |
| Franchised | 3,853 | 126 | 450,102 | 12,810 |
| Managed | 301 | 6 | 57,804 | (141) |
| Owned, leased and managed lease | 7 | – | 2,233 | – |
| **Total** | 4,161 | 132 | 510,129 | 12,669 |

Percentage of Group hotel and room count 74.3%

* Includes 23 Holiday Inn Resort properties (6,184 rooms) and 27 Holiday Inn Club Vacations properties (7,927 rooms) (2017: 25 Holiday Inn Resort properties (6,787 rooms) and 26 Holiday Inn Club Vacations properties (7,676 rooms)).

Total number of hotels 4,161

Total number of rooms 510,129

Americas System size increased by 123 hotels (12,669 rooms) to 4,161 hotels (510,129 rooms) during 2018. 208 hotels (22,248 rooms) opened in the year, compared to 190 hotels (21,615 rooms) in 2017. Openings included 135 hotels (13,392 rooms) in the Holiday Inn brand family, representing 64.9% of the region’s hotel openings.

76 hotels (9,579 rooms) were removed from the Americas System in 2018, demonstrating our continued commitment to quality, compared to 86 hotels (12,148 rooms) in 2017.

Americas pipeline

At 31 December 2018

<table>
<thead>
<tr>
<th>Hotels</th>
<th>Change over 2017</th>
<th>Rooms</th>
<th>Change over 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>InterContinental</td>
<td>6</td>
<td>(1)</td>
<td>1,477</td>
</tr>
<tr>
<td>Kimpton</td>
<td>16</td>
<td>2</td>
<td>2,335</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>6</td>
<td>(8)</td>
<td>1,263</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>35</td>
<td>2</td>
<td>4,523</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>10</td>
<td>2</td>
<td>1,296</td>
</tr>
<tr>
<td>Holiday Inn†</td>
<td>126</td>
<td>(2)</td>
<td>16,052</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>499</td>
<td>(25)</td>
<td>47,620</td>
</tr>
<tr>
<td>avid hotels</td>
<td>171</td>
<td>17</td>
<td>15,811</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>163</td>
<td>17</td>
<td>16,902</td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>102</td>
<td>10</td>
<td>9,121</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>10</td>
<td>3,882</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,156</td>
<td>114</td>
<td>120,282</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** | | | |
| Franchised | 1,115 | 113 | 113,657 | 10,813 |
| Managed | 41 | 1 | 6,625 | 365 |
| **Total** | 1,156 | 114 | 120,282 | 11,178 |

* Includes one Holiday Inn Resort property (165 rooms) (2017: one Holiday Inn Resort property (165 rooms)).

Total number of hotels in the pipeline 1,156

Total number of rooms in the pipeline 120,282

At 31 December 2018, the Americas pipeline totalled 1,156 hotels (120,282 rooms), representing an increase of 114 hotels (11,178 rooms) over the prior year. Strong signings of 416 hotels (42,766 rooms) were ahead of last year by 51 hotels (5,347 rooms). The majority of 2018 signings were within our mainstream brands including the Holiday Inn brand family (156 hotels, 15,643 rooms), our extended stay brands, Staybridge Suites and Candlewood Suites (76 hotels, 7,218 rooms) and avid hotels (129 hotels, 12,057 rooms), which continues to make good progress towards becoming IHG’s next brand of scale.

94 hotels (9,340 rooms) were removed from the pipeline in 2018 compared to 78 hotels (9,151 rooms) in 2017.
“It has been a strong year of performance for EMEAA. Through expanding our core brand portfolio, launching exciting new brands and step-changing performance, we have increased our signings by more than 20%. Our talented teams, working close to the market, have delivered richer guest experiences and enhanced owner returns.”

Kenneth Macpherson
Chief Executive Officer, EMEAA

**Industry performance in 2018**

Industry RevPAR in EMEAA increased by 4.3%, driven by a 3.2% average daily rate growth and 0.8ppts occupancy growth. In Europe room demand grew 1.7% and average daily rate advanced 4.3%, resulting in RevPAR growth of 5.5%. UK industry RevPAR was up 2.5%, led by a 1.7% rate increase, as room demand increased 2.6%. In Germany, industry RevPAR was up 2.4%, driven by 1.8% in average daily rate and a 2.8% increase in demand.

RevPAR grew 1.4% in the Middle East. Excluding Egypt, RevPAR declined 5.5% in the Middle East, as supply increased 5.3%. India saw RevPAR increase 2.0%.

Elsewhere in EMEAA, several major markets all saw RevPAR growth, including Japan (2.3%), Australia (1.2%), and Thailand (2.8%), driven by both demand and average daily rate.

IHG’s regional performance in 2018

EMEAA RevPAR grew 2.7%, driven by 1.8% average daily rate growth. In the UK, where IHG has the largest regional presence, RevPAR increased 1.2%, led by growth in London (2.6%). France and Germany achieved RevPAR growth of 6.5% and 1.0% respectively driven by average daily rate growth. The rest of Europe achieved growth of 8.4%, led by recovery in markets previously impacted by terror attacks and by growth in Russia, driven by the FIFA World Cup.

India RevPAR grew 9.8%, driven by average daily rate, whilst the Middle East declined 6.3%, following oversupply.

Japan grew 3.2% driven by average daily rate whilst growth in Australia (0.8%) was dampened by supply growth in certain cities. Thailand grew by 2.4%.

**Regional priorities**

- EMEAA has delivered strong growth with signings increasing by more than 20% in 2018. Through enhancing our core brand portfolio, embedding the new EMEAA operating model and focusing on operational performance, as well as continuing to enter new markets with our brands, we will concentrate on delivering growth in 2019.
- We have a strategic plan in the UK and a key development in 2018 has been the integration of the UK portfolio properties which is progressing well and will be a focus for 2019. In Germany, one of the world's largest outbound markets, we have developed strong relationships with our Multiple Development Agreement (MDA) partners who are our primary source of growth. We are building an empowered business with increased resource and capability.
- The expansion of Kimpton Hotels & Restaurants has gathered momentum across EMEAA with key signings in Bangkok, Barcelona, Frankfurt, Paris and Tokyo, as well as the opening of our first UK property – the Kimpton Fitzroy in London. EMEAA will look to build further on this momentum in 2019.

**Regional highlights**

**Growing our brand portfolio**

- An agreement to rebrand and operate a portfolio of high-quality hotels established IHG as the UK’s leading luxury hotel operator. IHG has subsequently confirmed the UK debut locations for Kimpton Hotels & Restaurants and our new upscale brand, voco, in prime city centre and destination locations around the country.
- The launch of new upscale brand voco in June with an ambition to open more than 200 voco hotels over the next 10 years. This distinctive brand will offer owners the ability to drive higher returns through delivering a compelling guest experience and leveraging IHG’s powerful systems. The first voco hotels worldwide are already open, in Australia and the UK.
- We announced in October a Multiple Development Agreement (MDA) to bring 15 avid hotels to the German market, where our proactive development approach has delivered exceptional growth in recent years.

**Comparable RevPAR movement on previous year**

(12 months ended 31 December 2018)

<table>
<thead>
<tr>
<th>Fee business</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>2.6%</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>3.4%</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>4.7%</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>3.0%</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>2.0%</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>1.1%</td>
</tr>
<tr>
<td>All brands</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owned, leased and managed lease</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>(1.6)%</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>6.9%</td>
</tr>
<tr>
<td>All brands</td>
<td>(0.7)%</td>
</tr>
</tbody>
</table>
EMEA results

<table>
<thead>
<tr>
<th>12 months ended 31 December</th>
<th>2018 $m</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
<th>2016 Restated $m</th>
<th>2017 vs 2016 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>320</td>
<td>294</td>
<td>8.8%</td>
<td>274</td>
<td>7.3%</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>249</td>
<td>163</td>
<td>52.8%</td>
<td>165</td>
<td>(1.2%)</td>
</tr>
<tr>
<td>Total</td>
<td>569</td>
<td>457</td>
<td>24.5%</td>
<td>439</td>
<td>4.1%</td>
</tr>
<tr>
<td>Percentage of Group revenue from reportable segments</td>
<td>29.4</td>
<td>26.4</td>
<td>3.0%</td>
<td>26.3</td>
<td>0.1%</td>
</tr>
<tr>
<td>Operating profit from the reportable segment&lt;sup&gt;a&lt;/sup&gt;</td>
<td>200</td>
<td>165</td>
<td>21.2%</td>
<td>148</td>
<td>11.5%</td>
</tr>
<tr>
<td>Fee business</td>
<td>202</td>
<td>171</td>
<td>18.1%</td>
<td>157</td>
<td>8.9%</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>2</td>
<td>6</td>
<td>(66.7%)</td>
<td>9</td>
<td>(33.3%)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(12)</td>
<td>(4)</td>
<td>(200.0%)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Operating profit</td>
<td>190</td>
<td>167</td>
<td>13.8%</td>
<td>157</td>
<td>6.4%</td>
</tr>
<tr>
<td>Percentage of Group operating profit from reportable segments before central overheads&lt;sup&gt;b&lt;/sup&gt;</td>
<td>21.6</td>
<td>19.9</td>
<td>1.8%</td>
<td>18.9</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

**Highlights for the year ended 31 December 2018**

Comprising of 1,051 hotels (211,099 rooms) at the end of 2018, EMEAA represented 25% of the Group’s room count. Revenues are primarily generated from hotels in the UK and gateway cities in continental Europe, the Middle East and Asia. The largest portion of rooms in the UK and continental Europe are operated under the franchise business model, primarily under our mainstream brands (Holiday Inn and Holiday Inn Express). Similarly, in the upscale market segment, Crowne Plaza is predominantly franchised, whereas, in the luxury market segment, the majority of InterContinental-branded hotels are operated under management agreements. The majority of hotels in markets outside of Europe are operated under the managed business model.

Revenue from the reportable segment increased by $112m (24.5%) to $569m and operating profit increased by $23m (13.8%) to $171m, both including the benefit of $7m significant liquidated damages recorded (2017: $nil). Operating profit from the reportable segment increased by $31m (18.1%) to $202m. On an underlying basis, revenue increased by $14m (3.1%) and operating profit increased by $25m (14.6%) driven by strong trading, net rooms growth and lower costs associated with the Group-wide efficiency programme.

Overall, comparable RevPAR in EMEAA increased by 2.7%, with the UK and Germany increasing by 1.2% and 1.0% respectively.

Recovery in markets previously impacted by terror attacks continued with 6.5% growth in France. The Middle East declined by 6.3%, impacted by increased supply and political instability in certain markets.

Revenue and operating profit from the reportable segment are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue increased by $26m (8.8%) to $320m, whilst operating profit increased by $35m (21.2%) to $200m, partly benefiting from the impact of foreign exchange (revenue $3m, and operating profit $2m), and from cost savings associated with the Group-wide efficiency programme. Comparable RevPAR increased by 2.8%, driven by gains in both average daily rate and occupancy.

Owned, leased and managed lease revenue increased by $86m (52.8%) due to the addition of a portfolio in the UK, and partly benefiting from the impact of foreign exchange ($2m), whilst operating profit decreased by $4m (66.7%), partly impacted by adverse foreign exchange ($1m).

Revenue and operating profit from the reportable segment are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue increased by $20m (7.3%) to $294m, whilst operating profit increased by $17m (11.5%) to $165m, partly impacted by adverse foreign exchange (revenue $4m, and operating profit $2m). Comparable RevPAR increased by 4.2%, driven by gains in both average daily rate and occupancy.

Owned, leased and managed lease revenue decreased by $2m (1.2%), partly benefiting from the impact of foreign exchange ($1m) whilst operating profit decreased by $3m (33%).

---

<sup>a</sup> EMEA reportable segment includes revenue and operating profit before exceptional items, excluding System Fund revenues and expenses and reimbursement of costs, for both fee business and owned, leased and managed lease hotels.

<sup>b</sup> Operating profit from reportable segments before central overheads excludes exceptional items, System Fund revenues and expenses, reimbursement of costs, and central overheads, to assist understanding of the relative contribution of IHG’s regions to the Group.

<sup>c</sup> Underlying revenue and underlying profit both exclude System Fund revenues and expenses, reimbursement of costs, goodwill disposals, liquidated damages and current year acquisitions, translated at constant currency using prior year exchange rates. Underlying operating profit growth also excludes the impact of exceptional items (see pages 172 and 173).

<sup>d</sup> The impact of movements between the previous year’s average actual exchange rates and actual average rates in 2018.
### EMEAA hotel and room count

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2017</th>
<th>Rooms</th>
<th>Change over 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Regent</strong></td>
<td>3</td>
<td>3</td>
<td>769</td>
<td>769</td>
</tr>
<tr>
<td><strong>InterContinental</strong></td>
<td>106</td>
<td>2</td>
<td>32,299</td>
<td>508</td>
</tr>
<tr>
<td><strong>Kimpton</strong></td>
<td>2</td>
<td>1</td>
<td>608</td>
<td>334</td>
</tr>
<tr>
<td><strong>Crowne Plaza</strong></td>
<td>182</td>
<td>6</td>
<td>46,259</td>
<td>1,685</td>
</tr>
<tr>
<td><strong>voco</strong></td>
<td>2</td>
<td>2</td>
<td>531</td>
<td>531</td>
</tr>
<tr>
<td><strong>Hotel Indigo</strong></td>
<td>35</td>
<td>8</td>
<td>3,748</td>
<td>954</td>
</tr>
<tr>
<td><strong>Holiday Inn</strong></td>
<td>385</td>
<td>2</td>
<td>71,353</td>
<td>923</td>
</tr>
<tr>
<td><strong>Holiday Inn Express</strong></td>
<td>304</td>
<td>22</td>
<td>43,732</td>
<td>4,557</td>
</tr>
<tr>
<td><strong>Staybridge Suites</strong></td>
<td>15</td>
<td>4</td>
<td>2,185</td>
<td>596</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>17</td>
<td>10</td>
<td>9,615</td>
<td>1,366</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,051</td>
<td>60</td>
<td>211,099</td>
<td>12,023</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** | | | |
| **Franchised** | 726 | 31 | 118,122 | 6,344 |
| **Managed** | 309 | 18 | 89,204 | 3,554 |
| **Owned, leased and managed lease** | 16 | 11 | 3,773 | 2,125 |
| **Total** | 1,051 | 60 | 211,099 | 12,023 |

| **Percentage of Group hotel and room count** | 18.8 | |
| **Total number of hotels** | 1,051 | 60 |
| **Total number of rooms** | 211,099 | 12,023 |

*a* Includes 16 Holiday Inn Resort properties (3,391 rooms) (2017: 16 Holiday Inn Resort properties (3,347 rooms)).

During 2018, EMEAA System size increased by 60 hotels (12,023 rooms) to 1,051 hotels (211,099 rooms). 77 hotels (15,283 rooms) opened in EMEAA in 2018, compared to 52 hotels (16,002 rooms) in 2017. 17 hotels (3,260 rooms) left the EMEAA System in the period, compared to 18 hotels (3,046 rooms) in the previous year.

### EMEAA pipeline

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2017</th>
<th>Rooms</th>
<th>Change over 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Regent</strong></td>
<td>3</td>
<td>3</td>
<td>514</td>
<td>514</td>
</tr>
<tr>
<td><strong>InterContinental</strong></td>
<td>29</td>
<td>1</td>
<td>6,919</td>
<td>439</td>
</tr>
<tr>
<td><strong>Kimpton</strong></td>
<td>7</td>
<td>5</td>
<td>1,240</td>
<td>1,041</td>
</tr>
<tr>
<td><strong>Crowne Plaza</strong></td>
<td>34</td>
<td>(2)</td>
<td>9,016</td>
<td>361</td>
</tr>
<tr>
<td><strong>voco</strong></td>
<td>8</td>
<td>8</td>
<td>1,510</td>
<td>1,510</td>
</tr>
<tr>
<td><strong>Hotel Indigo</strong></td>
<td>40</td>
<td>6</td>
<td>5,761</td>
<td>1,021</td>
</tr>
<tr>
<td><strong>EVEN Hotels</strong></td>
<td>1</td>
<td>–</td>
<td>200</td>
<td>–</td>
</tr>
<tr>
<td><strong>Holiday Inn</strong></td>
<td>106</td>
<td>11</td>
<td>24,339</td>
<td>2,274</td>
</tr>
<tr>
<td><strong>Holiday Inn Express</strong></td>
<td>114</td>
<td>6</td>
<td>19,154</td>
<td>1,058</td>
</tr>
<tr>
<td><strong>Staybridge Suites</strong></td>
<td>19</td>
<td>5</td>
<td>3,947</td>
<td>1,438</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>1</td>
<td>–</td>
<td>143</td>
<td>(27)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>362</td>
<td>43</td>
<td>72,743</td>
<td>9,385</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** | | | |
| **Franchised** | 159 | 6 | 25,681 | 853 |
| **Managed** | 202 | 36 | 46,907 | 8,377 |
| **Owned, leased and managed lease** | 1 | 1 | 155 | 155 |
| **Total** | 362 | 43 | 72,743 | 9,385 |

*a* Includes 10 Holiday Inn Resort properties (2,353 rooms) (2017: five Holiday Inn Resort properties (1,075 rooms)).

The EMEAA pipeline totalled 362 hotels (72,743 rooms) at 31 December 2018, representing an increase of 43 hotels (9,385 rooms) over 31 December 2017. Signings of 133 hotels (26,918 rooms), represented an increase of 11 hotels (5,057 rooms) from the prior year.

13 hotels (2,250 rooms) were removed from the pipeline in 2018, compared to 37 hotels (6,098 rooms) in 2017.
“Greater China is our fastest growing region and has seen another record year in both new signings and openings in 2018. We continue executing our strategic plans, including a tailored franchise support model and investing in the talent that supports our growth.”

Jolyon Bulley
Chief Executive Officer, Greater China

Greater China revenue 2018 ($143m)

7%

Greater China number of rooms (115,313)

14%

Regional priorities
- Continue to build on our scale and look forward to opening our 400th hotel. This follows strong growth momentum in 2018, when record openings and signings took our combined System size and pipeline to over 700 hotels, with 193,000 rooms.
- Strengthen our owner proposition with the continued roll-out of our franchise model for Holiday Inn Express, Holiday Inn and Crowne Plaza brands. This model is attractive to owners and contributed to 56% of total signings in the region in 2018.
- Responding to the needs of our guests, we will continue to innovate using digital technologies, including implementing guest digital payment solutions; launching IHG Rewards Club WeChat Mini Program; and testing Artificial Intelligence enabled smart rooms in InterContinental hotels.
- Continue our talent development momentum to support growth.

Regional highlights
Franchise growth
- Adapting our America’s franchise platform, we have tailored and implemented the Greater China Franchise Performance Support Model. Built to support franchise hotels, it delivers a high quality guest experience and superior owner returns.
- Franchise Plus has significantly accelerated Holiday Inn Express growth in China, with 71 hotels signed in 2018, taking the total signed since launch to 143. We extended this franchise offer to Crowne Plaza and Holiday Inn with seven franchise signings under these brands in 2018.
- We continue to evolve this franchise model, focusing on improving owner returns through the delivery of the next generation design for Holiday Inn Express and Holiday Inn brands.

Industry performance in 2018
Lodging industry RevPAR in Greater China increased by 3.7% via growth in both demand and average daily rate. RevPAR has now increased for the last two years, as supply growth continues to slow, whilst average daily rate has continued to rise. Supply increase in 2018 (3.8%) was the lowest in the last 19 years.
Tier 1 city RevPAR grew 5.1% for 2018, led by 5.0% increase in average daily rate. Tiers 2, 3 and 4 saw moderate RevPAR growth below 3%. Tier 2 saw the largest increase in demand (6.5%) while tier 1 saw the smallest (2.4%).
Whilst supply growth slowed in Greater China overall, certain areas continued to see strong increases, including Mainland China (4.0%) and Macau (3.5%). Demand was also the strongest in those areas with Mainland China increasing 4.8% and Macau increasing 7.5%. Hong Kong RevPAR grew 10.6% led by an average daily rate increase of 9.7% for the year.

Comparable RevPAR movement on previous year
(12 months ended 31 December 2018)

Fee business

<table>
<thead>
<tr>
<th>Brand</th>
<th>RevPAR Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>6.2%</td>
</tr>
<tr>
<td>HUALUXE</td>
<td>21.5%</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>8.2%</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>9.3%</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>4.8%</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>6.9%</td>
</tr>
<tr>
<td>All brands</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

IHG’s regional performance in 2018
IHG’s comparable RevPAR in Greater China increased by 6.9% in 2018, ahead of the industry, driven by 3.5% average daily rate growth and 2.1% occupancy growth. Mainland China RevPAR increased by 6.3%, led by growth in tier 1 and tier 2 cities due to strong transient and meeting demand, ramp-up of new hotels and a strong Chinese New Year. RevPAR grew in Hong Kong and Macau by 8.9% and 8.4% respectively.
Greater China results

### Highlights for the year ended 31 December 2018

Comprising 391 hotels (115,313 rooms) at 31 December 2018, Greater China represented approximately 14% of the Group’s room count. The majority of rooms in Greater China operate under the managed business model.

Revenue from the reportable segment increased by $26m (22.2%) to $143m and operating profit increased by $16m (30.8%) to $68m, both including the benefit of $6m of significant liquidated damages recorded (2017: $nil). Operating profit from the reportable segment increased by $17m (32.7%) to $69m. On an underlying basis, revenue increased by $18m (15.4%) and operating profit increased by $10m (19.2%). The region achieved comparable RevPAR growth of 6.9%, ahead of the industry, reflecting our scale and management strength in Greater China.

These increases in fee business revenue and operating profit were driven by strong trading and 13.6% rooms growth and continued benefits of leveraging the scale of the operational platform we have built in Greater China. Comparable RevPAR growth of 6.9% benefited from strong transient and meetings demand in mainland tier 1 and tier 2 cities.

### Highlights for the year ended 31 December 2017

Revenue from the reportable segment and operating profit increased by $5m (4.5%) to $117m and by $6m (13.0%) to $52m respectively and on an underlying basis, revenue increased by $7m (6.3%) and operating profit by $6m (13.0%).

These increases in fee business revenue and operating profit were driven by strong trading in Mainland China and 9.2% rooms growth as well as robust cost control as we continued to leverage the scale of the operational platform we have built in Greater China. RevPAR growth of 6.0% benefited from strong transient, corporate and meetings demand in mainland tier 1 cities.

### Greater China results

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from the reportable segment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee business</td>
<td>143</td>
<td>117</td>
<td>22.2</td>
<td>112</td>
<td>4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>117</td>
<td>22.2</td>
<td>112</td>
<td>4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Percentage of Group revenue from reportable segments</strong></td>
<td>7.4</td>
<td>6.8</td>
<td>0.6</td>
<td>6.7</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee business</td>
<td>69</td>
<td>52</td>
<td>32.7</td>
<td>46</td>
<td>13.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>68</td>
<td>52</td>
<td>30.8</td>
<td>46</td>
<td>13.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Percentage of Group operating profit from reportable segments before central overheads</strong></td>
<td>7.4</td>
<td>6.0</td>
<td>1.4</td>
<td>5.5</td>
<td>0.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

*Greater China reportable segment includes revenue and operating profit before exceptional items, excluding System Fund revenues and expenses and reimbursement of costs, for the fee business.

*Operating profit from reportable segments before central overheads excludes exceptional items, System Fund revenues and expenses, reimbursement of costs, and central overheads, to assist understanding of the relative contribution of IHG’s regions to the Group.

*Underlying revenue and underlying operating profit both exclude System Fund revenues and expenses, reimbursement of costs, the impact of owned asset disposals, significant liquidated damages and current year acquisitions, all translated at constant currency using prior year exchange rates. Underlying operating profit growth also excludes the impact of exceptional items (see pages 172 and 173).
### Greater China hotel and room count

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2017</th>
<th>Rooms</th>
<th>Change over 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regent Hotels</td>
<td>3</td>
<td>3</td>
<td>1,236</td>
<td>1,236</td>
</tr>
<tr>
<td>InterContinental</td>
<td>47</td>
<td>7</td>
<td>19,229</td>
<td>2,600</td>
</tr>
<tr>
<td>HUALUXE</td>
<td>8</td>
<td>1</td>
<td>2,335</td>
<td>246</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>91</td>
<td>9</td>
<td>32,410</td>
<td>3,462</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>10</td>
<td>3</td>
<td>1,506</td>
<td>483</td>
</tr>
<tr>
<td>Holiday Inn*</td>
<td>92</td>
<td>6</td>
<td>28,007</td>
<td>1,448</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>133</td>
<td>32</td>
<td>29,164</td>
<td>5,351</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>2</td>
<td>1,426</td>
<td>(952)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>391</strong></td>
<td><strong>63</strong></td>
<td><strong>115,313</strong></td>
<td><strong>13,774</strong></td>
</tr>
<tr>
<td><strong>Analysed by ownership type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchised</td>
<td>36</td>
<td>25</td>
<td>8,755</td>
<td>4,991</td>
</tr>
<tr>
<td>Managed</td>
<td>355</td>
<td>38</td>
<td>106,558</td>
<td>8,783</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>391</strong></td>
<td><strong>63</strong></td>
<td><strong>115,313</strong></td>
<td><strong>13,774</strong></td>
</tr>
</tbody>
</table>

| Percentage of Group hotel and room count | 7.0 | 24.7 | 13.8 | 35.8 |

* Includes six Holiday Inn Resort properties (1,726 rooms) (2017: six Holiday Inn Resort properties (1,820 rooms)).

### Greater China pipeline

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2017</th>
<th>Rooms</th>
<th>Change over 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>InterContinental</td>
<td>25</td>
<td>(3)</td>
<td>7,399</td>
<td>(1,581)</td>
</tr>
<tr>
<td>Kimpton</td>
<td>4</td>
<td>2</td>
<td>899</td>
<td>540</td>
</tr>
<tr>
<td>HUALUXE</td>
<td>21</td>
<td>-</td>
<td>6,099</td>
<td>(190)</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>39</td>
<td>3</td>
<td>11,855</td>
<td>182</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>17</td>
<td>2</td>
<td>2,794</td>
<td>259</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>7</td>
<td>4</td>
<td>1,688</td>
<td>892</td>
</tr>
<tr>
<td>Holiday Inn*</td>
<td>56</td>
<td>2</td>
<td>15,260</td>
<td>144</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>171</td>
<td>37</td>
<td>31,650</td>
<td>5,993</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>-</td>
<td>279</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>341</strong></td>
<td><strong>47</strong></td>
<td><strong>77,923</strong></td>
<td><strong>6,239</strong></td>
</tr>
<tr>
<td><strong>Analysed by ownership type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchised</td>
<td>124</td>
<td>56</td>
<td>22,005</td>
<td>10,329</td>
</tr>
<tr>
<td>Managed</td>
<td>217</td>
<td>(9)</td>
<td>55,918</td>
<td>(4,090)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>341</strong></td>
<td><strong>47</strong></td>
<td><strong>77,923</strong></td>
<td><strong>6,239</strong></td>
</tr>
</tbody>
</table>

* Includes eight Holiday Inn Resort properties (2,711 rooms) (2017: seven Holiday Inn Resort properties (2,380 rooms)).

---

The Greater China System size increased by 63 hotels (13,774 rooms) in 2018 to 391 hotels (115,313 rooms). 77 hotels (18,812 rooms) opened, our highest ever and 34 hotels (8,242 rooms) higher than 2017. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 67% of our open rooms. 47 Holiday Inn brand family hotels (9,090 rooms) were added in the year, compared to 33 hotels (7,184 rooms) in 2017. 14 hotels (5,038 rooms) were removed in 2018 compared to seven hotels (2,053 rooms) in 2017.

At 31 December 2018, the Greater China pipeline totalled 341 hotels (77,923 rooms) compared to 294 hotels (71,684 rooms) at 31 December 2017. Signings (142 hotels, 29,130 rooms) were the highest ever, representing an increase of 20.3% (4,929 rooms) from the prior year. 99 hotels (17,958 rooms) were signed for the Holiday Inn brand family, including 71 franchised Holiday Inn Express hotels.

18 hotels (4,079 rooms) were removed from the pipeline in 2018, compared to 20 hotels (5,975 rooms) in 2017.
Central results

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017 Restated</th>
<th>vs 2017 % change</th>
<th>2016 Restated</th>
<th>vs 2016 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$170m</td>
<td>$157m</td>
<td>8.3%</td>
<td>$147m</td>
<td>6.8%</td>
</tr>
<tr>
<td>Gross costs</td>
<td>(287)</td>
<td>(259)</td>
<td>(10.8%)</td>
<td>(270)</td>
<td>4.1%</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(117)</td>
<td>(102)</td>
<td>(14.7%)</td>
<td>(123)</td>
<td>17.1%</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(172)</td>
<td>(131)</td>
<td>(31.3%)</td>
<td>(123)</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Highlights for the year ended 31 December 2018

Net operating loss increased by $41m (31.3%) compared to 2017. Central revenue, which mainly comprises technology fee income, increased by $13m (8.3%) to $170m (an increase of $12m (7.6%) at constant currency), driven by increases in both comparable RevPAR (2.5%) and IHG System size (4.8%). Gross costs increased by $28m (10.8%), partly impacted by $2m of adverse foreign exchange and driven by reinvestment of a portion of savings delivered elsewhere in the business and higher healthcare costs.

Net operating loss before exceptional items increased by $15m (14.7%) to $117m (a $14m or 13.7% increase to $116m at constant currency).

Other financial information

System Fund

In the year to 31 December 2018, System Fund revenues decreased by 0.7% from $1,242m to $1,233m (2016: $1,199m). The primary driver was a favourable adjustment in 2017 (as restated) relating to a change in the actuarial assumptions around the ultimate rate of consumption of IHG Rewards Club points ('breakage'). This adjustment was immaterial in 2018. This is largely offset by an underlying growth of 6.3% in assessment fees and contributions from hotels, reflecting increased RevPAR and System size, and increased revenue relating to co-branding agreements.

The Group operates a System Fund to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation Systems, and hotel loyalty programme. The Fund also receives proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for IHG, although an in-year surplus or deficit can arise, but is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

Reimbursement of costs

In the year to 31 December 2018, reimbursable revenue increased 6.2% from $1,103m to $1,171m (2016: $1,046m), primarily due to an increase in the number of managed hotels in the Americas driving additional payroll cost.

Cost reimbursements revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added mark up, this revenue and related expenses has no impact on either our operating profit or net income.

Exceptional items

Pre-tax exceptional items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted earnings per ordinary share as well as other Non-GAAP measures (see page 36) in order to provide a more meaningful comparison of performance and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, and restructuring costs (for more information see page 124).

2018 pre-tax exceptional items totalled a charge of $104m. The charge included: $18m of litigation costs primarily relating to a material settlement agreed in respect of a lawsuit filed against the Group in the Americas region, together with associated legal fees; $56m relating to reorganisation costs (see below); $15m arising from the termination of the US funded Inter-Continental Hotels Pension Plan and $15m relating to the acquisition of the Regent Hotels and Resorts brand and associated management contracts ('Regent'), the UK portfolio and Six Senses Hotels Resorts Spas ('Six Senses').

On 1 July 2018, the Group completed the acquisition of a 51% controlling interest in an agreement with Formosa International Hotels Corporation (‘FIH’) to acquire Regent.

On 25 July 2018, the Group completed a deal to operate nine hotels under long-term leases from Covivio (formerly Foncière des Régions), which operated under the Principal and De Vere Hotels brands. An additional leased hotel was added to the portfolio on 13 November 2018, bringing the total to ten (‘UK portfolio’) at 31 December 2018. Two further leased hotels were added on 14 February 2019. On 12 February 2019, the Group completed the acquisition of Six Senses for £300m paid in cash.

Reorganisation costs

In September 2017, the Group launched a comprehensive efficiency programme funding a series of new strategic initiatives to drive an acceleration in IHG’s future growth. The programme is centred around strengthening the Group’s organisational structure to redeploy resources to leverage scale in the highest opportunity markets and segments. The programme is expected to be completed in 2019.

The programme is expected to realise c.£125m in annual savings by 2020, of which c.£75m will benefit the System Fund. These savings, primarily in administrative expenses, are planned to be reinvested as they are realised to accelerate medium-term revenue growth. There will be an estimated £200m cost to achieve these savings, (of which £103m was incurred in 2018 (2017: £45m)), including amounts charged to the System Fund. The exceptional cost charged to the Group income statement in 2018 of £56m includes consultancy fees of £25m and severance costs of £18m.
Liquidity and capital resources

Net financial expenses
Net financial expenses increased by $9m to $81m. The increase is primarily due to the unwind of $5m interest on deferred and contingent consideration relating to the Regent and UK portfolio acquisitions and interest on the $500m bond issued in November 2018. On an underlying basis, interest increased from $85m to $100m. Financing costs included $48m (2017: $44m) of interest costs on the public bonds and $20m (2017: $20m) in respect of the InterContinental Boston finance lease, both of which are fixed rate debt.

Taxation
The effective rate of tax on profit before exceptional items and System Fund was 22% (2017: 29%). Excluding the impact of prior year items, the equivalent tax rate would be 23% (2017: 30%). This rate is higher than the average UK statutory rate of 19% (2017: 19.25%), due mainly to certain overseas profits (particularly in the US) being subject to statutory tax rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a credit of $27m (2017: credit of $88m). This included a current tax credit of $11m on reorganisation costs, a $5m current tax credit in respect of litigation costs, a $6m tax credit ($5m current tax and $1m deferred tax) arising from a US pension scheme settlement, a $2m current tax credit in respect of acquisition costs, a $2m prior year current tax charge on the sale of Avendra, and a $5m exceptional prior year tax credit in respect of significant US tax reform.

Net tax paid in 2018 totalled $68m (2017: $172m). The 2018 tax paid was less than 2017 principally due to material tax repayments from the UK and US tax authorities in 2018 and exceptional tax paid on the sale of Avendra in 2017.

IHG pursues an approach to tax that is consistent with its business strategy and its overall business conduct principles. This approach 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 IHG Audit Committee.

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 material tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance. As a result of its business profile as a hotel manager, and also as a residual legacy from prior acquisitions, IHG does have a small number of subsidiaries in jurisdictions commonly portrayed as tax havens. IHG manages such subsidiaries on a basis consistent with its business principles (for example, by making some foreign incorporated companies UK tax resident or by operating others so that local profits are commensurate with local activity).

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 over 82% 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 78.1¢. With the interim dividend per ordinary share of 36.3¢, the full-year dividend per ordinary share for 2018 will total 114.4¢, an increase of 10% over 2017.

On 19 October 2018, the Group announced a $500m return of funds to shareholders by way of a special dividend and share consolidation. The special dividend ($2.621 per ordinary share) was paid on 29 January 2019.

IHG pays its dividends in pounds sterling and US dollars. The sterling amount of the final dividend will be announced on 26 April 2019 using the average of the daily exchange rates from 23 April 2019 to 25 April 2019 inclusive. See page 17 for details of IHG’s dividend policy.

Earnings per ordinary share
Basic earnings per ordinary share decreased by 34.0% to 184.7¢ from 279.8¢ in 2017 whilst adjusted earnings per ordinary share and underlying earnings per ordinary share increased by 19.4% to 292.1¢ and by 18.8% to 290.5¢ respectively.

Share price and market capitalisation
The IHG share price closed at £42.37 on 31 December 2018, down from £47.19 on 31 December 2017. The market capitalisation of the Group at the year-end was £8.1bn.

Liquidity and capital resources

Sources of liquidity
In November 2018, the Group issued a €500m, 2.125% euro bond repayable in May 2027. The bond extends the maturity profile of the Group’s debt. Currencies swaps were transacted at the same time the bonds were issued in order to swap the proceeds and interest flows into pounds sterling. The currency swaps fix the bond debt at £436m, with interest payable semi-annually at a rate of 3.5%. This is in addition to £400m of public bonds which are repayable on 28 November 2022, £300m repayable on 14 August 2025 and £350m repayable on 24 August 2026.

The Group is further financed by a $1.275bn revolving syndicated bank facility (the Syndicated Facility) and a $75m revolving bilateral facility (the Bilateral Facility) which mature in March 2022, both of which were undrawn at the year-end. The Syndicated and Bilateral Facilities contain the same terms and two financial covenants: interest cover; and net debt divided by operating profit before exceptional items, depreciation and amortisation and System Fund revenue and expenses. 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. Financial covenants will not be affected by the adoption of IFRS 16 ‘Leases’.

Additional funding is provided by the 99-year finance lease (of which 87 years remain) on InterContinental Boston and other uncommitted bank facilities (see note 20 to the Group Financial Statements). In the Group’s opinion, the available facilities are sufficient for the Group’s present liquidity requirements. Borrowings included bank overdrafts of $104m (2017: $110m), which were matched by an equivalent amount of cash and cash equivalents under the Group’s cash pooling arrangements.
Liquidity and capital resources continued

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 and Canada, and the matching overdrafts are held by the Group’s central treasury company in the UK.

Net debt of $1,530m (2017: $1,851m) is analysed by currency as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>$1,895</td>
<td>$1,416</td>
</tr>
<tr>
<td>US dollar</td>
<td>$329</td>
<td>$601</td>
</tr>
<tr>
<td>Euros</td>
<td>$8</td>
<td>$2</td>
</tr>
<tr>
<td>Other</td>
<td>$2</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,242</td>
<td>$2,085</td>
</tr>
</tbody>
</table>

Cash and cash equivalents

<table>
<thead>
<tr>
<th>Currency</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>(479)</td>
<td>(13)</td>
</tr>
<tr>
<td>US dollar</td>
<td>(91)</td>
<td>(75)</td>
</tr>
<tr>
<td>Euros</td>
<td>(23)</td>
<td>(13)</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>(12)</td>
<td>(13)</td>
</tr>
<tr>
<td>Chinese renminbi</td>
<td>(58)</td>
<td>(12)</td>
</tr>
<tr>
<td>Other</td>
<td>(41)</td>
<td>(42)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(231)</td>
<td>(113)</td>
</tr>
</tbody>
</table>

Net debt 1,530

Average debt level 1,755

1. 2018 includes the impact of currency swaps.

Cash balances at 31 December 2018 include $502m of the proceeds from the euro bond invested in short-term deposits and repurchase agreements. Cash and cash equivalents include $2m (2017: $3m) that is not available for use by the Group due to local exchange controls. In January 2019, $500m was returned to shareholders via a special dividend.

Information on the maturity profile and interest structure of borrowings is included in notes 20 and 22 to the Group Financial Statements.

Information on the Group’s approach to allocation of capital resources can be found on pages 16 and 17.

The Group had net liabilities of $1,077m at 31 December 2018, ($1,301m, restated at 31 December 2017).

Cash from operating activities

Net cash from operating activities totalled $666m for the year ended 31 December 2018, an increase of $89m on the previous year, reflecting the benefit of lower cash tax (see page 50).

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 outflows from investing activities decreased by $17m to $189m, reflecting a lower level of expenditure on IHG Concerto in the current year and a $43m investment in one of the Group’s associates in 2017, offset by Avendra sale proceeds of $75m received last year. In the current year, $38m was spent on the acquisition of businesses and a one-off distribution of $32m was received from a joint venture.

The Group had committed contractual capital expenditure of $136m at 31 December 2018 (2017: $104m).

Cash used in financing activities

Net cash from financing activities totalled $86m, which was $532m higher than 2017, primarily due to a $133m increase in borrowings, including the issue of a new €500m long-term bond, offset by repayment of other borrowings and the cash outflow from the $400m special dividend paid in 2017.

Off-balance sheet arrangements

At 31 December 2018, 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.

Contingent liabilities

Contingent liabilities include performance guarantees with possible cash outflows totalling $42m, guarantees over the debt of equity investments of $43m and outstanding letters of credit of $29m. The Group may also be exposed to additional liabilities resulting from security incidents. See note 30 to the Group Financial Statements for further details.

Contractual obligations

The Group had the following contractual obligations outstanding as of 31 December 2018. See table below.

### Table: Contractual Obligations

<table>
<thead>
<tr>
<th>Description</th>
<th>Total amounts committed</th>
<th>Less than 1 year</th>
<th>1–3 years</th>
<th>3–5 years</th>
<th>After 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt obligationsa,b</td>
<td>1,913</td>
<td>-</td>
<td>511</td>
<td>1,402</td>
<td></td>
</tr>
<tr>
<td>Interest payableb</td>
<td>359</td>
<td>50</td>
<td>112</td>
<td>92</td>
<td>105</td>
</tr>
<tr>
<td>Derivatives</td>
<td>46</td>
<td>12</td>
<td>15</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>3,300</td>
<td>16</td>
<td>32</td>
<td>40</td>
<td>3,212</td>
</tr>
<tr>
<td>Operating lease obligationsc</td>
<td>509</td>
<td>56</td>
<td>121</td>
<td>66</td>
<td>266</td>
</tr>
<tr>
<td>Agreed pension scheme contributions</td>
<td>6</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital contracts placed</td>
<td>136</td>
<td>136</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred and contingent purchase considerationf</td>
<td>314</td>
<td>7</td>
<td>30</td>
<td>15</td>
<td>262</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,583</td>
<td>283</td>
<td>310</td>
<td>739</td>
<td>5,251</td>
</tr>
</tbody>
</table>

a. Repayment period classified according to the related facility maturity date.

b. Excluding bank overdrafts.

c. Mainly represents the minimum lease payments related to the 99-year lease (of which 87 years remain) on InterContinental Boston. Payments under the lease step up at regular intervals over the lease term.

d. See note 28 to the Group Financial Statements for further details.

f. Includes a commitment to spend $33m on the acquired UK portfolio (see note 11 to the Group Financial Statements for further details) within two and a half years of the acquisition date.