

INTERCONTINENTAL HOTELS GROUP PLC /NEW/

Form 6-K

November 23, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington DC 20549

FORM 6-K

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

For 23 November 2004

InterContinental Hotels Group PLC

(Registrant's name)

67 Alma Road, Windsor, Berkshire, SL4 3HD, England

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Exhibit Description</u> |
|-----------------------|---|
| 99.1 | Third Quarter results released 23 November 2004 |

SIGNATURES

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

InterContinental Hotels Group PLC

(Registrant)

By: /s/ C. Cox

Name: C. COX

Title: COMPANY SECRETARIAL OFFICER

Date: 23 November 2004

23 November 2004

InterContinental Hotels Group PLC

Third Quarter and Nine Months Results to 30 September 2004

| | Third Quarter | | | | Nine Months | | | |
|---------------------------------------|---------------|----------|--------------------------------|----------------------------------|--------------|----------|--------------------------------|----------------------------------|
| | 30 Sept 2003 | | % | % | 30 Sept 2003 | | % | % |
| | 30 Sept 2004 | proforma | change (actual currency) | change (constant currency) | 30 Sept 2004 | proforma | change (actual currency) | change (constant currency) |
| £m | £m | | | £m | £m | | | |
| Hotels | | | | | | | | |
| - Turnover | 377 | 387 | (2.6)% | 3.5% | 1,112 | 1,095 | 1.6% | 6.9% |
| - EBITDA | 113 | 117 | (3.4)% | 4.9% | 303 | 269 | 12.6% | 21.3% |
| - Operating profit | 76 | 76 | | 8.2% | 189 | 151 | 25.2% | 35.9% |
| Soft Drinks | | | | | | | | |
| - Turnover | 186 | 182 | 2.2% | 2.2% | 552 | 517 | 6.8% | 6.8% |
| - EBITDA | 39 | 36 | 8.3% | 8.3% | 103 | 97 | 6.2% | 6.2% |
| - Operating profit | 26 | 27 | (3.7)% | (3.7)% | 66 | 66 | | |
| Group | | | | | | | | |
| - Turnover | 563 | 569 | (1.1)% | 3.0% | 1,664 | 1,612 | 3.2% | 6.9% |
| - EBITDA | 152 | 153 | (0.7)% | 5.0% | 406 | 366 | 10.9% | 16.9% |
| - Operating profit | 102 | 103 | (1.0)% | 4.9% | 255 | 217 | 17.5% | 25.0% |
| - Profit before tax | 97 | 93 | 4.3% | | 240 | 185 | 29.7% | |
| Earnings per share (pence) | | | | | | | | |
| - Basic | 11.0 | * | | | 48.0 | * | | |
| - Adjusted | 10.0 | 8.1 | 23.5% | | 24.0 | 15.7 | 52.9% | |

Note: EBITDA, operating profit, profit before tax and adjusted earnings per share are stated before exceptional items. Britvic is operating a 53 week year in 2004 with the additional week falling in the third quarter. Constant currency stated at 2003 exchange rates

* Not stated as no direct comparables

Strong EPS growth and solid constant currency trading performance:

Adjusted earnings per share grew by 23.5% in the third quarter and by 52.9% year to date.

In constant currency terms, Hotels third quarter turnover was up 3.5% and operating profit up 8.2%, but the weak dollar adversely affected profit in sterling terms.

As highlighted previously, the results are also affected by bonus costs in the quarter compared to the same quarter last year when bonuses were not accrued, as well as continuing weakness in certain major Continental European locations.

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October trading was strong and the full year outlook remains positive and in line with company expectations.

Ongoing progress on strategy with hotel sales on track, return of funds on schedule and refinancing of Group debt

The company is well advanced in the sale process of the Americas hotels and encouraging progress is also being made on the sale of the other hotels on the market.

Special dividend of £500m planned to be paid 17 December 2004.

New £1.6bn syndicated committed banking facility announced on 11 November 2004 to provide more flexible and certain financing with reduced costs. Tender offer launched to buy back 600m Eurobond due 2010 and announcement of the redemption of the remaining £18m sterling bonds due 2007.

Commenting on the results, David Webster, Chairman and Interim Chief Executive, InterContinental Hotels Group PLC said:

Earnings per share were well ahead in the third quarter, but trading was mixed with the Americas and Asia Pacific delivering another solid quarter of growth whilst Continental Europe experienced weak demand in certain markets. Trading in October was strong and the outlook for the full year remains positive and in line with our expectations.

Our asset disposal programme continues to progress well, and we are on track with returning funds to shareholders and improving the capital structure of the group. The search for a new CEO is well underway. We remain committed to executing our strategy and we are delivering on it.

Trading and Operating Overview: strong EPS growth and profit growth in Americas and Asia Pacific

Adjusted earnings per share up by 23.5% for the quarter driven by reduced debt, lower year-on-year tax rate and the ongoing benefit of the share buyback programme.

Hotels operating profit in sterling was flat for the quarter, against strong 2003 comparables:

Americas operating profit up 12% from \$75m to \$84m, driven by strong growth in the managed and franchised businesses as a result of strong RevPAR growth across all brands and the Candlewood brand acquisition. Sterling operating profit was down 2% from £47m to £46m in the quarter.

EMEA operating profit down 6% from £36m to £34m, with weak market demand impacting large owned and leased properties in certain locations such as Cannes, Frankfurt and Paris. The UK has continued to grow through the third quarter.

Asia Pacific operating profit up 80% from \$5m to \$9m, against a SARS impacted 2003, with InterContinental Hong Kong gaining market share and strong RevPAR growth in China.

Regional and central overheads of £25m, versus £24m in 2003. Full year total overhead forecast still flat year on year at constant currency.

As highlighted previously, these results have been impacted by the phasing of bonus costs in the quarter which were not charged in 2003, causing a quarter-on-quarter variance of approximately £10m across regional and central costs.

Room revenue delivered to IHG's hotels through IHG's reservation channels was up 19.8% to \$1.09bn in the third quarter 2004:

37.3% of total rooms revenue delivered through IHG's channels in the quarter.

Internet channel revenue growth of 36.2% in the quarter and an increase in share of web delivery through IHG's own sites to 80%; internet revenue represented 12.9% of total system revenue for IHG in the quarter.

Revenue to IHG's hotels from Priority Club Rewards members was up 12.2% to \$841m in the third quarter 2004:

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28.1% of room nights booked by Priority Club Rewards members in the quarter versus 27.6% in the same period in 2003.

At a gross level, almost 18,000 rooms (4.5% annualised growth) added to system year-to-date, offset by planned terminations in the US Holiday Inn estate and disposals, to give net growth of 599 rooms.

Global pipeline growth of 10.0% from 70,500 rooms at 30 September 2003 to 77,500 at 30 September 2004.

Previously announced payment of £51m was made into InterContinental Hotels UK pension fund in October 2004.

Improvements in key financial metrics, with annual Return on Capital Employed now up by 1.1% to 5.6% and strong pre-disposal cashflow generation of £146m in the quarter against £123m in same period of 2003.

Strategic overview: hotel sales on track, return of funds on schedule and refinancing of group debt

The company is well advanced in the sale process of the Americas hotels and encouraging progress is also being made on the sale of the other hotels on the market.

Cost savings on track.

£239m of the initial £250m share buyback announced March 2004 is now complete, with 43.9m shares repurchased at an average price per share of £5.44 as of 22 October 2004. Special dividend of £500m planned to be paid 17 December 2004; record date 10 December 2004, as stated in a shareholder circular issued 16 November 2004.

New £1.6bn syndicated banking facility announced 11 November 2004, which will provide flexible committed funding for the medium term with reduced financing costs. The facility will be used to fund, inter alia, a repurchase of the 600m Eurobond and the redemption of the outstanding £18m Eurobond due 2007.

Britvic: revenue growth of 2.2% against difficult comparables; continued investment in the business

Strong performance in the quarter given the considerably poorer summer weather experienced in 2004 versus last year. As a result of continued investment in the business, operating profit was marginally down, at £26m. During the third quarter, Britvic gained market share.

Current Trading

RevPAR growth is still predominantly occupancy-led but with some growth beginning to come from rate as expected at this stage in the recovery. There has been strong growth in individual corporate traveller volumes. October results show strong trading and the full year outlook remains positive and is in line with company expectations.

For further information, please contact:

| | |
|--|--|
| Investor Relations (Gavin Flynn): | +44 (0) 1753 410 176 +44 (0) 7808 098 972 |
| Media affairs (Dee Cayhill/Leslie McGibbon): | +44 (0) 1753 410 423 +44 (0) 7808 094 471 |

Teleconference for Analysts

A teleconference with David Webster (Chairman and Interim Chief Executive) and Richard Solomons (Finance Director) will commence at 9.00 am (London time) on 23 November. There will be an opportunity to ask questions. The conference call will conclude at approximately 9.30 am (London time).

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To join us for this conference call please dial the relevant number below by 9.00 am (London time).

International dial-in
UK dial-in
US dial-in

Tel: +44 (0)1452 562717
Tel: 0800 073 8968
Tel: 1866 832 0732

Page 3 of 15

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A recording of the conference call will be available for 7 days. To access this please dial the relevant number below and use the access number 2157550#

International dial in
UK dial in

Tel: +44 (0)1452 550000
Tel: 0845 245 5205

Website

The full release and supplementary data will be available on our website from 7.00 am on 23 November. The web address is
file:///C:/Documents%20and%20Settings/MorrisM/Local%20Settings/Local%20Settings/Temporary%20Internet%20Files/Content.IE5/1FRF5DSE/www.i

Note to Editors:

InterContinental Hotels Group PLC of the United Kingdom [LON:IHG, NYSE:IHG (ADRs)] is the world's most global hotel company and the largest by number of rooms. InterContinental Hotels Group owns, manages, leases or franchises, through various subsidiaries, more than 3,500 hotels and 536,000 guest rooms in nearly 100 countries and territories around the world. The Group owns a portfolio of well recognised and respected hotel brands including InterContinental® Hotels & Resorts, Crowne Plaza® Hotels & Resorts, Holiday Inn® Hotels and Resorts, Holiday Inn Express®, Staybridge Suites®, Candlewood Suites® and Hotel Indigo™, and also manages the world's largest hotel loyalty program, Priority Club® Rewards, with more than 23 million members worldwide. In addition to this, InterContinental Hotels Group has a controlling interest in Britvic, the second largest soft drinks manufacturer in the UK.

For the latest news from InterContinental Hotels Group, visit our online Press Office at www.ihgplc.com/media

Appendix 1: Selected RevPAR performance (comparable, year on year change)

| | <u>July</u> | <u>August</u> | <u>Sept</u> | <u>Quarter 3</u> | <u>Oct</u> | <u>YTD (Jan-Oct)</u> |
|---------------------|-------------|---------------|-------------|------------------|------------|----------------------|
| Americas | | | | | | |
| IC O&L | 11.4% | 10.4% | 2.9% | 7.9% | 6.2% | 8.9% |
| CP NA (system) | 5.5% | 6.6% | 8.8% | 6.9% | 13.1% | 7.9% |
| HI NA (system) | 4.7% | 0.3% | 10.8% | 4.9% | 6.5% | 5.3% |
| Express NA (system) | 5.6% | 1.5% | 13.6% | 6.5% | 8.4% | 6.9% |
| EMEA | | | | | | |
| IC O&L | (7.4)% | (5.0)% | (8.6)% | (7.0)% | 2.3% | (0.2)% |
| HI UK Regions | 4.8% | 3.0% | 3.8% | 3.9% | (4.3)% | 4.5% |
| HI UK London | 17.5% | 11.8% | 7.9% | 12.3% | 8.2% | 17.2% |
| Asia Pacific | | | | | | |
| IC O&L (v 2003) | 53.7% | 44.5% | 23.0% | 37.8% | 15.0% | 51.8% |
| IC O&L (v 2002) | 25.3% | 29.5% | 26.9% | 27.3% | 12.3% | 16.3% |

Appendix 2: Disposal detail

Total hotels disposed or for sale: 137 hotels, £2.2bn (being net book value plus proceeds on assets sold)

Sold to date: 30 hotels (4,404 rooms), sale proceeds of £337m

| <u>Hotel</u> | <u>Rooms</u> |
|-------------------------------|--------------|
| IC MayFair, UK | 289 |
| IC Central Park South, USA | 208 |
| CP Midland Manchester, UK | 303 |
| CP Vanuatu, Vanuatu | 140 |
| HI South Bend, USA | 229 |
| HI Sheffield West, UK | 138 |
| HI Middlesbrough/Teesside, UK | 134 |
| HI Gatwick Crawley, UK | 217 |
| HI Preston, UK | 129 |
| HI Newcastle, Aus | 72 |
| HI Adelaide, Aus | 193 |
| HI Darwin, Aus | 183 |
| Posthouse Epping, UK | 79 |
| SBS Houston Galleria, USA | 93 |
| SBS San Antonio, USA | 118 |
| SBS Myrtle Beach, USA | 119 |
| SBS Burlington, USA | 141 |
| SBS Columbia, USA | 118 |
| SBS Atlanta Perimeter, USA | 143 |
| SBS Denver, USA | 115 |
| SBS Charlotte, USA | 117 |
| SBS Austin, USA | 121 |
| SBS Auburn Hills, USA | 118 |
| SBS Carmel Mountain, USA | 116 |
| SBS Fort Lauderdale, USA | 141 |
| SBS Portland, USA | 117 |
| SBS Boston, USA | 133 |
| SBS Sorrento, USA | 131 |
| SBS Alpharetta, USA | 118 |
| SBS Eatontown, USA | 131 |

Currently on market: 107 hotels, net book value of £1.9bn; estimated 2004 EBIT of approximately £95m; EBITDA of £164m:

20 hotels in the Americas, net book value £505m; estimated 2004 EBIT of approximately £16m; EBITDA of £41m;

Comprising: CP United Nations, New York; IC Miami; IC Chicago; 17 others

12 hotels in EMEA, net book value £256m; estimated 2004 EBIT of approximately £11m; EBITDA of £17m:

Comprising: IC Paris, IC Edinburgh; 10 others

75 hotels in UK, net book value £1.1bn; estimated 2004 EBIT of approximately £68m; EBITDA of £106m:

Comprising: HI Mayfair; HI Kensington; major part of UK portfolio

INTERCONTINENTAL HOTELS GROUP PLC

UNAUDITED PROFIT AND LOSS ACCOUNT

For the three and nine months ended 30 September 2004

| | 3 months | | | 9 months | | |
|---|--------------------------|------------|------------|--------------------------|--------------|--------------|
| | ended 30 Sept | | | ended 30 Sept | | |
| | 2004 | 2004 | 2003* | 2004 | 2004 | 2003* |
| | Before exceptional items | | | Before exceptional items | | |
| £m | £m | £m | £m | £m | £m | |
| Turnover (note 3) | 563 | 563 | 569 | 1,664 | 1,664 | 1,612 |
| Cost of sales | (411) | (411) | (424) | (1,245) | (1,245) | (1,233) |
| Gross operating profit | 152 | 152 | 145 | 419 | 419 | 379 |
| Administrative expenses | (50) | (50) | (42) | (164) | (164) | (162) |
| Operating profit before exceptional items (note 4) | 102 | 102 | 103 | 255 | 255 | 217 |
| Operating exceptional item (note 4) | | (5) | | | 1 | |
| Operating profit (note 4) | 102 | 97 | 103 | 255 | 256 | 217 |
| Profit on disposal of fixed assets | | | | | 18 | |
| Profit on ordinary activities before interest | 102 | 97 | 103 | 255 | 274 | 217 |
| Net interest payable & similar charges | (5) | (5) | (10) | (15) | (9) | (32) |
| Profit on ordinary activities before taxation | 97 | 92 | 93 | 240 | 265 | 185 |
| Tax on profit on ordinary activities (note 8) | (17) | (5) | (23) | (43) | 104 | (46) |
| Profit on ordinary activities after taxation | 80 | 87 | 70 | 197 | 369 | 139 |
| Minority equity interests | (10) | (10) | (11) | (24) | (24) | (24) |
| Profit available for shareholders | 70 | 77 | 59 | 173 | 345 | 115 |
| Dividends on equity shares | 1 | 1 | | (29) | (29) | |
| Retained profit for the period | 71 | 78 | 59 | 144 | 316 | 115 |
| Earnings per ordinary share (note 9): | | | | | | |
| Pro forma | | | 8.1p | | | 15.7p |
| Basic | | 11.0p | | | 48.0p | |
| Diluted | | 10.8p | | | 47.5p | |
| Adjusted | 10.0p | | | 24.0p | | |

* Pro forma information (see note 1).

INTERCONTINENTAL HOTELS GROUP PLC

UNAUDITED CASH FLOW STATEMENT

For the three and nine months ended 30 September 2004

| | 2004 | 2003* | 2004 | 2003* |
|--|------------|------------|------------|------------|
| | 3 months | 3 months | 9 months | 9 months |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Operating profit before exceptional items | 102 | 103 | 255 | 217 |
| Depreciation and amortisation | 50 | 50 | 151 | 149 |
| Earnings before interest, taxation, depreciation and amortisation and exceptional items | 152 | 153 | 406 | 366 |
| Decrease in stocks | 3 | 1 | 2 | 2 |
| Decrease/(increase) in debtors | 47 | 2 | 12 | (14) |
| Increase in creditors | 8 | 45 | 32 | 90 |
| Provisions expended and other non-cash items | 2 | (1) | 5 | (6) |
| Operating activities before expenditure relating to exceptional items | 212 | 200 | 457 | 438 |
| Cost of fundamental reorganisation | (3) | | (14) | |
| Operating activities | 209 | 200 | 443 | 438 |
| Capital expenditure Hotels | (50) | (61) | (120) | (193) |
| Disposal proceeds Hotels | 15 | 232 | 103 | 250 |
| Capital expenditure Soft Drinks | (13) | (16) | (52) | (42) |
| Operating cash flow (note 10) | 161 | 355 | 374 | 453 |

* Pro forma information (see note 1).

INTERCONTINENTAL HOTELS GROUP PLC**UNAUDITED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

For the nine months ended 30 September 2004

| | 2004 |
|---|--------------|
| | 9 months |
| | ended |
| | 30 Sept |
| | £m |
| Profit available for shareholders | 345 |
| Dividends | (29) |
| | 316 |
| Exchange movement on foreign currency denominated net assets, borrowings and currency swaps | (55) |
| Issue of ordinary shares | 12 |
| Purchase of own shares | (228) |
| Movement in shares in ESOP trusts | |
| Employee share schemes credit | 9 |
| Goodwill exchange movements | 42 |
| Net movement in shareholders funds | 96 |
| Opening shareholders funds | 2,554 |
| Closing shareholders funds | 2,650 |

INTERCONTINENTAL HOTELS GROUP PLC

GROUP BALANCE SHEET

30 September 2004

| | Restated* | | |
|--|--------------|--------------|--------------|
| | Unaudited | Unaudited | Audited |
| | 2004 | 2003 | 2003 |
| | 30 Sept | 30 Sept | 31 Dec |
| | £m | £m | £m |
| Intangible assets | 147 | 154 | 158 |
| Tangible assets | 3,830 | 4,029 | 3,951 |
| Investments | 111 | 234 | 172 |
| Fixed assets | 4,088 | 4,417 | 4,281 |
| Stocks | 41 | 40 | 44 |
| Debtors | 478 | 479 | 523 |
| Investments | 469 | 108 | 377 |
| Cash at bank and in hand | 41 | 91 | 55 |
| Current assets | 1,029 | 718 | 999 |
| Creditors - amounts falling due within one year: | | | |
| Overdrafts | (3) | (30) | (5) |
| Other borrowings | (6) | (3) | (8) |
| Other creditors | (964) | (1,055) | (1,072) |
| Net current assets/(liabilities) | 56 | (370) | (86) |
| Total assets less current liabilities | 4,144 | 4,047 | 4,195 |
| Creditors - amounts falling due after one year: | | | |
| Borrowings | (929) | (698) | (988) |
| Other creditors | (106) | (112) | (97) |
| Provisions for liabilities and charges: | | | |
| Deferred taxation | (231) | (333) | (314) |
| Other provisions | (63) | (95) | (79) |
| Minority interests | (165) | (173) | (163) |
| Net assets (note 12) | 2,650 | 2,636 | 2,554 |
| Equity shareholders funds | 2,650 | 2,636 | 2,554 |

* Restated on the adoption of UITF 38 and the reclassification of pension provisions.

INTERCONTINENTAL HOTELS GROUP PLC

NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

1. Basis of preparation of pro forma financial information

Following shareholder and regulatory approval, on 15 April 2003, Six Continents PLC separated into two new groups, InterContinental Hotels Group PLC (IHG) comprising the Hotels and Soft Drinks businesses, and Mitchells & Butlers plc comprising the Retail and Standard Commercial Property Developments businesses. As a result of the Separation, Six Continents PLC became part of IHG.

The pro forma financial information for the three months and nine months to 30 September 2003 comprises the results of those companies that form IHG following the Separation, as if IHG had been in existence since 1 October 2001. The information is provided as guidance only; it is not audited and, as pro forma information, it does not give a full picture of the financial position of the Group. The key assumptions used in the preparation of the information are as follows:

- i. The pro forma information has been prepared using accounting policies consistent with those used in the historic IHG interim and year end financial statements.
- ii. Pro forma interest has been calculated to reflect the post Separation capital structure of the Group as if it had been in place at 1 October 2001, using interest rate differentials applicable under the post Separation borrowing agreements and excluding facility fee amortisation. Dividend payments have been assumed at the expected ongoing level.
- iii. The pro forma tax charge is based on a rate of tax for IHG of 25% applied to pro forma profit before taxation.
- iv. Adjustments have been made, where appropriate, to exclude any arrangements with the Mitchells & Butlers Group.
- v. Pro forma earnings per share is based on pro forma profit available for shareholders divided by 734m shares, being the issued share capital of IHG on Separation.
- vi. The pro forma Profit and Loss account and Cash Flow statement exclude all exceptional items as being non-recurring.

2. Exchange rates

The results of overseas operations have been translated into sterling at the weighted average rates of exchange for the period. In the case of the US dollar, the translation rate for the 3 months ended 30 September is £1=\$1.82 (2003, £1 = \$1.62) and for the 9 months ended 30 September is £1=\$1.82 (2003, £1 = \$1.61).

Foreign currency denominated assets and liabilities have been translated into sterling at the rates of exchange on the last day of the period. In the case of the US dollar, the translation rate is £1=\$1.80 (2003 30 September, £1 = \$1.67; 31 December, £1 = \$1.78).

3. Turnover

| | 2004 | 2003** | 2004 | 2003** |
|-----------------------|------------|------------|--------------|--------------|
| | 3 months* | 3 months* | 9 months*** | 9 months*** |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Hotels | | | | |
| Americas (note 5) | 125 | 133 | 371 | 399 |
| EMEA (note 6) | 212 | 217 | 616 | 590 |
| Asia Pacific (note 7) | 31 | 28 | 95 | 76 |
| Central | 9 | 9 | 30 | 30 |
| | <u>377</u> | <u>387</u> | <u>1,112</u> | <u>1,095</u> |
| Soft Drinks | 186 | 182 | 552 | 517 |
| | <u>563</u> | <u>569</u> | <u>1,664</u> | <u>1,612</u> |

* Other than for Soft Drinks which reflects the 13 weeks ended 1 October (2003 12 weeks ended 27 September).

** Pro forma information (see note 1).

*** Other than for Soft Drinks which reflects the 41 weeks ended 1 October (2003 40 weeks ended 27 September).

4. Operating profit

| | 2004 | 2003** | 2004 | 2003** |
|---|------------|------------|-------------|-------------|
| | 3 months* | 3 months* | 9 months*** | 9 months*** |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Hotels | | | | |
| Americas (note 5) | 46 | 47 | 126 | 129 |
| EMEA (note 6) | 34 | 36 | 84 | 68 |
| Asia Pacific (note 7) | 5 | 3 | 14 | 4 |
| Central | (9) | (10) | (35) | (50) |
| | <u>76</u> | <u>76</u> | <u>189</u> | <u>151</u> |
| Soft Drinks | 26 | 27 | 66 | 66 |
| | <u>102</u> | <u>103</u> | <u>255</u> | <u>217</u> |
| Operating profit before exceptional item | | | | |
| Operating exceptional item**** | (5) | | 1 | |
| | <u>97</u> | <u>103</u> | <u>256</u> | <u>217</u> |
| Operating profit | | | | |

-
- * Other than for Soft Drinks which reflects the 13 weeks ended 1 October (2003 12 weeks ended 27 September).
 - ** Pro forma information (see note 1).
 - *** Other than for Soft Drinks which reflects the 41 weeks ended 1 October (2003 40 weeks ended 27 September).
 - **** Adjustment to market valuation of the Group's investment in FelCor Lodging Trust Inc.

5. Americas

| | 2004 | 2003* | 2004 | 2003* |
|-------------------------------|------------|------------|------------|------------|
| | 3 months | 3 months | 9 months | 9 months |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Turnover | | | | |
| Owned & Leased | 113 | 112 | 361 | 358 |
| Managed | 14 | 11 | 41 | 33 |
| Franchised | 99 | 91 | 272 | 253 |
| Total \$m | 226 | 214 | 674 | 644 |
| Sterling equivalent £m | 125 | 133 | 371 | 399 |
| Operating profit | | | | |
| Owned & Leased | 6 | 6 | 28 | 23 |
| Managed | 7 | 3 | 11 | 8 |
| Franchised | 86 | 81 | 234 | 217 |
| Regional overheads | 99 | 90 | 273 | 248 |
| | (15) | (15) | (44) | (42) |
| Total \$m | 84 | 75 | 229 | 206 |
| Sterling equivalent £m | 46 | 47 | 126 | 129 |

* Pro forma information (see note 1).

6. EMEA

| | 2004 | 2003* | 2004 | 2003* |
|------------------|------------|------------|------------|------------|
| | 3 months | 3 months | 9 months | 9 months |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Turnover | | | | |
| Owned & Leased | 195 | 201 | 562 | 546 |
| Managed | 9 | 11 | 33 | 27 |
| Franchised | 8 | 5 | 21 | 17 |
| Total \$m | 212 | 217 | 616 | 590 |

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| | | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| Operating profit | | | | |
| Owned & Leased | 29 | 31 | 67 | 61 |
| Managed | 4 | 4 | 19 | 12 |
| Franchised | 7 | 4 | 16 | 12 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 40 | 39 | 102 | 85 |
| Regional overheads | (6) | (3) | (18) | (17) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 34 | 36 | 84 | 68 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

* Pro forma information (see note 1).

7. Asia Pacific

| | 2004 | 2003* | 2004 | 2003* |
|-------------------------------|-----------|-----------|------------|------------|
| | 3 months | 3 months | 9 months | 9 months |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Turnover | | | | |
| Owned & Leased | 46 | 37 | 142 | 103 |
| Managed | 9 | 7 | 26 | 17 |
| Franchised | 1 | 1 | 4 | 3 |
| Total \$m | 56 | 45 | 172 | 123 |
| Sterling equivalent £m | 31 | 28 | 95 | 76 |
| Operating profit | | | | |
| Owned & Leased | 6 | 3 | 19 | 9 |
| Managed | 7 | 5 | 19 | 9 |
| Franchised | 1 | 1 | 3 | 3 |
| | 14 | 9 | 41 | 21 |
| Regional overheads | (5) | (4) | (15) | (13) |
| Total \$m | 9 | 5 | 26 | 8 |
| Sterling equivalent £m | 5 | 3 | 14 | 4 |

* Pro forma information (see note 1).

8. Tax

Tax on profit on ordinary activities has been calculated using an estimated effective annual tax rate of 18% for 2004.

The exceptional tax credit for the nine months to 30 September 2004 comprises a charge of £3m (3 months to 30 September 2004, nil) on exceptional items together with a credit of £150m (3 months to 30 September 2004, £12m) which represents the release of prior year tax provisions and the recognition of a deferred tax asset in respect of capital losses.

9. Earnings per share

Basic earnings per ordinary share is calculated by dividing the profit available for shareholders for the three months to 30 September 2004 of £77m (9 months to 30 September 2004, £345m) by 703m (9 months to 30 September 2004, 719m), being the weighted average number of ordinary shares, excluding investment in own shares, in issue during the period.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share options outstanding during the period. The resulting weighted average number of ordinary shares for the three months to 30 September 2004 is 712m (9 months to 30 September 2004, 727m).

Adjusted earnings per ordinary share is calculated as follows:

| | 2004 | 2004 |
|-------------------------------------|------------------|------------------|
| | 3 months | 9 months |
| | ended | ended |
| | 30 Sept | 30 Sept |
| | pence per | pence per |
| | ordinary | ordinary |
| | share | share |
| Basic earnings | 11.0 | 48.0 |
| Exceptional items, less tax thereon | 0.7 | (3.1) |
| Exceptional tax | (1.7) | (20.9) |
| Adjusted earnings | 10.0 | 24.0 |

Adjusted earnings per ordinary share is disclosed in order to show performance undistorted by exceptional items.

10. Operating cash flow

| | 2004 | 2003* | 2004 | 2003* |
|-------------|------------|------------|------------|------------|
| | 3 months | 3 months | 9 months | 9 months |
| | ended | ended | ended | ended |
| | 30 Sept | 30 Sept | 30 Sept | 30 Sept |
| | £m | £m | £m | £m |
| Hotels | 100 | 305 | 292 | 364 |
| Soft Drinks | 61 | 50 | 82 | 89 |
| | 161 | 355 | 374 | 453 |

* Pro forma information (see note 1).

11. Net debt

| | 2004 | 2003 | 2003 |
|---------------------------|--------------|--------------|--------------|
| | 30 Sept | 30 Sept | 31 Dec |
| | £m | £m | £m |
| Cash at bank and in hand | 41 | 91 | 55 |
| Overdrafts | (3) | (30) | (5) |
| Current asset investments | 406 | 108 | 377 |
| Other borrowings: | | | |
| Due within one year | (6) | (3) | (8) |
| Due after one year | (929) | (698) | (988) |
| | (491) | (532) | (569) |

12. Net assets

| | 2004 | 2003 | 2003 |
|-------------------------------------|--------------|--------------|--------------|
| | 30 Sept | 30 Sept | 31 Dec |
| | £m | £m | £m |
| Hotels | 3,584 | 3,897 | 3,738 |
| Soft Drinks | 284 | 266 | 300 |
| | 3,868 | 4,163 | 4,038 |
| Net debt | (491) | (532) | (569) |
| Other net non-operating liabilities | (727) | (995) | (915) |
| | 2,650 | 2,636 | 2,554 |

* Restated on the adoption of UITF 38.

END