

# 2018 HAS BEEN A LANDMARK YEAR FOR THE GROUP

**Moshe Greidinger**  
CHIEF EXECUTIVE OFFICER

## OUR STRATEGY

Our strategy is to:



**Provide the best  
cinema experience**



**Expand and  
enhance our estate**



**Be technological  
leaders in the industry**



**Drive value  
for shareholders**

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2018 has been a landmark year for the Group following the successful acquisition of Regal Entertainment Group on 28 February 2018.

We are well on our way to achieving a successful business integration following strong performance and record box office results in the US.

The combination with Regal has exceeded our expectations – we have incorporated the best of both companies by bringing together world-class talent, integrating best practice from both sides of the Atlantic and deepened our understanding of the US market. Although the Group has expanded significantly, our strategy and vision remain the same, to be “The Best Place to Watch a Movie” by continually focusing on providing the best customer experience, maintaining technological leadership, expanding and upgrading the estate, and training and retaining highly motivated, experienced and loyal staff.

An overview of our key achievements in 2018 is provided below.

## INTEGRATION OF REGAL

Following the completion of the transaction, we spent the past year implementing our strategy and vision for Regal. I am very pleased with the Regal acquisition. Cost synergies are not only greater than originally expected, but they are also being delivered at a faster pace. Revenue synergies are well underway with many initiatives covering a large scope of our activity. We are focused on delivering on the full potential of the combination through the strengths of our brands, focus on customer experience and investment in technology.

2018 was a record year for the US box office. Audiences flocked to action-packed thrillers such as “Avengers: Infinity War”, “Black Panther” and “Venom” and re-joined some of the most beloved animated characters in “Incredibles 2”, “Mary Poppins Returns” and “Ralph Breaks the Internet”. This year proved again that cinema is the premier way to experience the magic of movies.

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Leicester Square  
London, United Kingdom

## CUSTOMER EXPERIENCE

We have expanded our viewing offering for customers in 2018 with the introduction of ScreenX: the world's first multi-projection immersive cinema auditorium which provides a 270-degree viewing experience. Our cinemas now offer up to seven different formats of how to watch movies: regular screens, 3D, 4DX, ScreenX, IMAX, Premium Large Format and our VIP offering. Through both our expansion and our refurbishment programme, we are focused on ensuring as many of our sites provide a range of these formats for our customers, giving them the choice of not only which movies to watch, but also how to watch them.

As well as developing our exhibition offerings and ensuring world-class customer service, we continue to pay particular attention to our retail products and services. Our on-site concessions aim to be best in class, providing a variety of food, drink and snack options.

## EXPANSION AND REFURBISHMENTS

As well as acquiring Regal, during 2018 we also opened 13 additional cinemas: six in the US, six in the UK and one in the ROW, a total of 108 screens. We have a further 184 screens scheduled to open in 2019 across the Group.

Our refurbishment programme is progressing well to ensure we are providing consistently high quality cinemas across the estate. Four refurbishments were completed in the UK, including our flagship Leicester Square and O2 sites in London. We have started the refurbishment plans in the US with ten sites to be refurbished in the first phase of the programme. By combining new sites with refurbished sites to enhance the “cinema experience” for our customers, we want to ensure that Regal is “The Best Place to Watch a Movie”.

As part of our estate management, during 2018, we closed 14 sites: 11 in the US, one in the UK and two in the ROW, as the lease terms expired and it was not commercially beneficial or feasible to renew these leases.

## TECHNOLOGY AND INNOVATION

Investment in technology continues to be a key pillar of our strategy to make the cinema “The Best Place to Watch a Movie”. We signed new agreements with IMAX, 4DX and ScreenX during 2018 to install a total of 55 new IMAX Laser projectors across the estate, 80 4DX screens in the US and 100 ScreenX. In 2018, we opened 19 ScreenX and 9 4DX screens. Many customers have now experienced ScreenX across our estate since we launched the first screen in Speke in August 2018. At the end of 2018 we had a total of 130 IMAX screens, 53 4DX screens and 116 Premium Large Format screens.

In the US, our new Regal website was launched and was positively received by our customers and now more tickets are purchased online than ever.

**The Regal acquisition demonstrates the continued delivery of our strategy.**

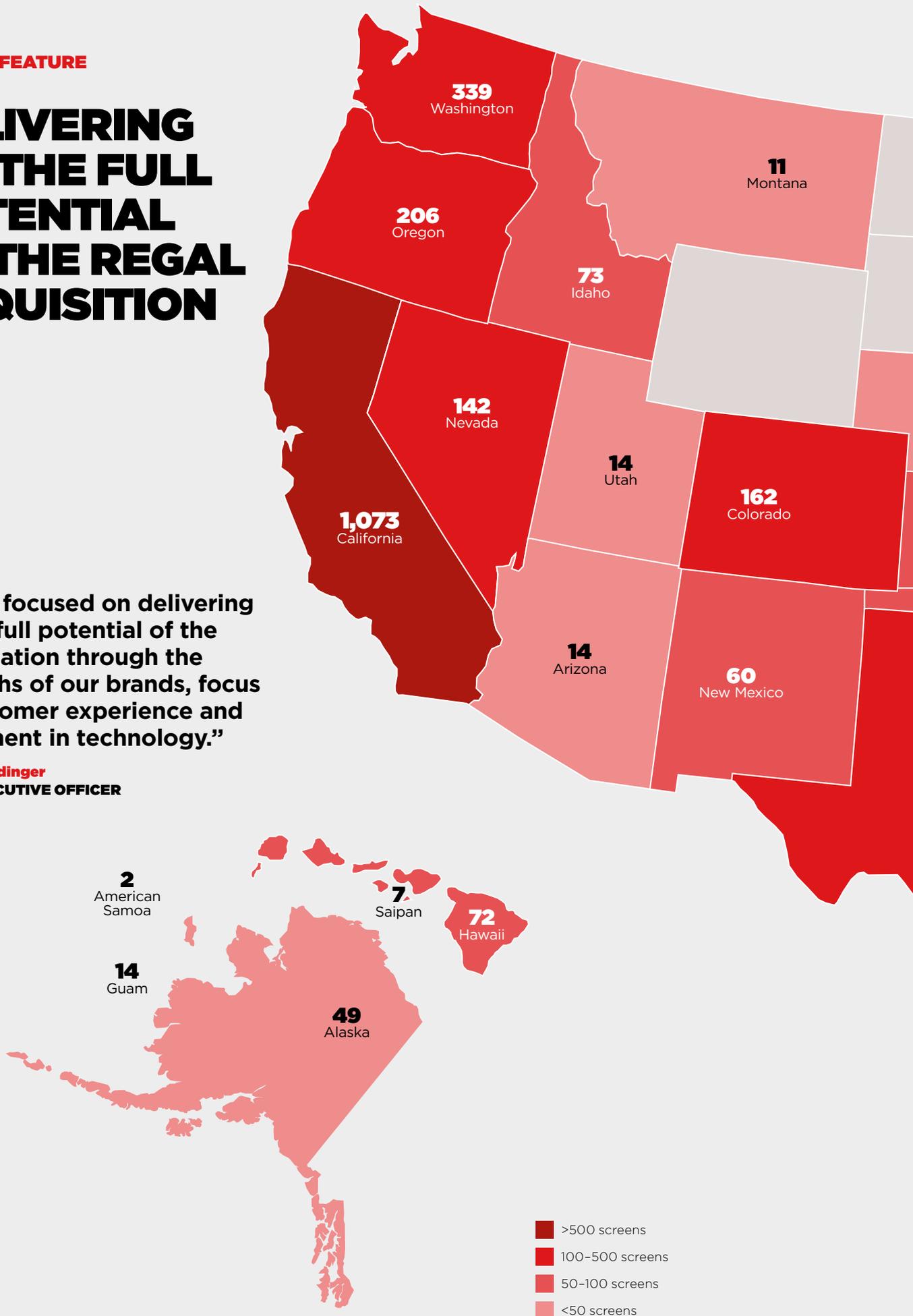


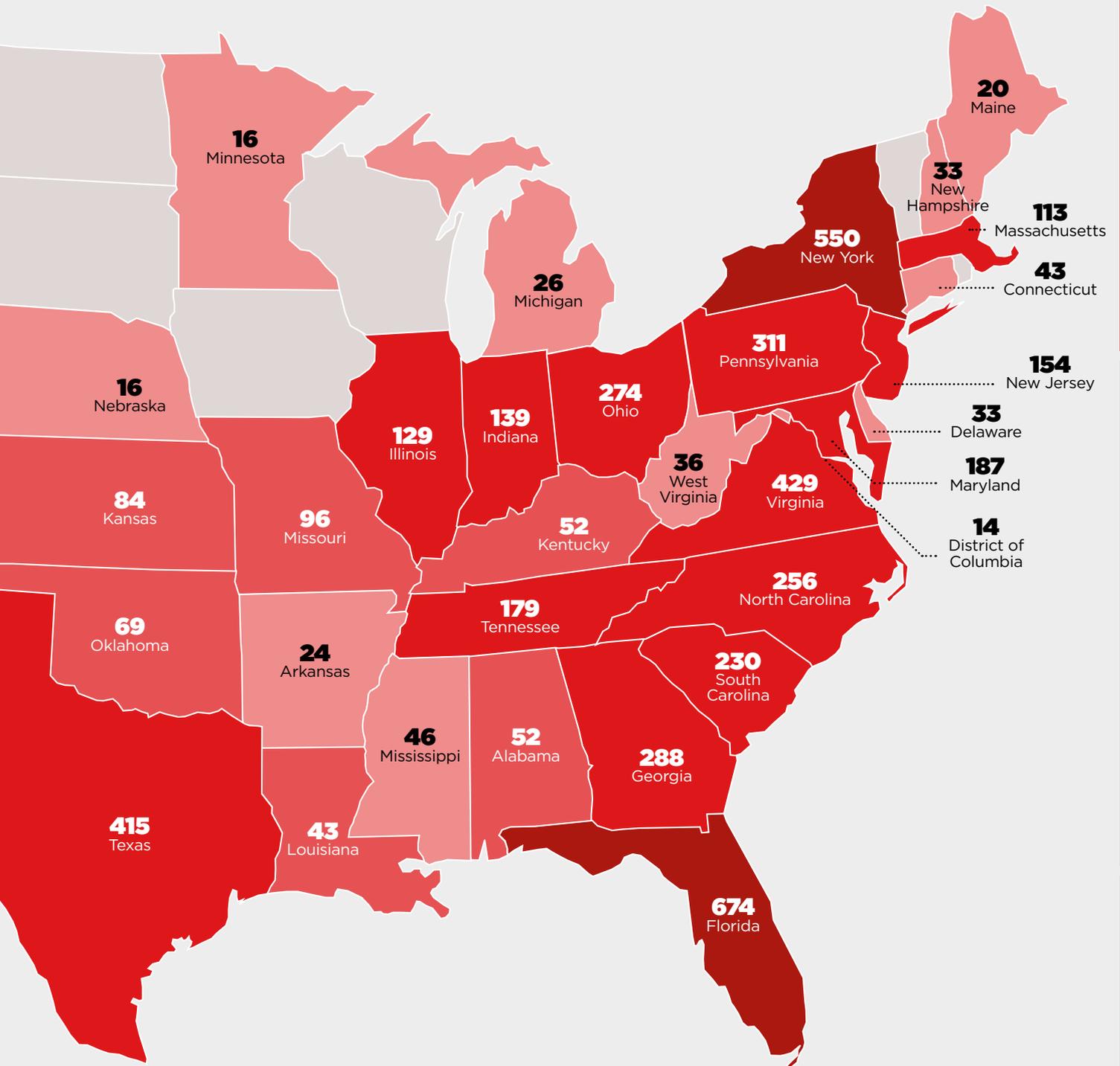
**SPECIAL FEATURE  
REGAL**

# DELIVERING ON THE FULL POTENTIAL OF THE REGAL ACQUISITION

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**7,269**

Screens

**102**

RPX screens



**8**

Number of 4DX screens



**555**

Sites

**95**

IMAX screens



**9**

Number of ScreenX screens



## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED



### HR AND COMMUNITY

We are committed to ensuring our people have the opportunity to develop themselves and reach their full potential. With the enlarged Group, there are now even more opportunities and we continue to nurture our talent and promote internally wherever possible. Our training programmes are specifically tailored for each level and department within the business to ensure everyone has the right knowledge and skills to provide the best customer service.

Our wider communities are also important to us. Every year we undertake a range of activities and initiatives with charities, schools and community groups. Through the Regal Foundation, a non-profit charitable organisation, we have raised over \$5.0m to support selected charities in the US in 2018. In the UK, we were proud to partner with the BBC's Children in Need fundraising initiative for the third year, through which we raised over £600,000.



### VALUE FOR SHAREHOLDERS

The cash generative nature of our business underpins our business model. Following the Regal acquisition, our priorities for the use of our cash remain consistent: to invest in the business to support growth in revenue and earnings, to repay our loan and to grow the dividend. During 2018 we have been able to reward shareholders with growth of 20.4% in the rights adjusted, adjusted diluted earnings per share ("EPS"). The Group maintained its dividend pay-out ratio for another year, increasing the full year cash dividend paid by 163.1%. The proposed final dividend is 10.15c per share.



## FUTURE OUTLOOK

As our integration with Regal has successfully progressed, we will continue to draw on the skills and expertise of our teams on both sides of the Atlantic and share best practice in everything we do. From our experience in the UK, we have learnt and demonstrated that the potential in a mature market is at least as big as in the emerging markets. While we delivered solid results in 2018, this is only the start of the enlarged Group's journey.

Looking forward, we are well positioned to execute on our strategy in 2019. We have an excellent estate in the US, the UK and ROW which is growing and constantly being upgraded to enhance the cinema experience for our customers. Studios are more committed than ever to provide great content, including sequels as well as original movies, while our commitment is to provide the infrastructure and the great service that will keep the big screen as "The Best Place to Watch a Movie".

We look forward to the strong film slate for the remainder of the year. Upcoming movies include "Captain Marvel", "Dumbo", "Shazam!", "Avengers: Endgame", "Aladdin", "Godzilla: King of the Monsters", "Toy Story 4", "Spider-Man: Far from Home", "The Lion King", "Fast & Furious Presents: Hobbs & Shaw", "It: Chapter Two", "Frozen 2", "Jumanji Two", "Star Wars: Episode IX" and many more.

Our motivated and dedicated teams are fundamental to us being able to achieve our vision to be the "Best Place to Watch a Movie". 2018 has been a very significant year for the Group and I would like to take this opportunity to thank everyone across the Group for their continued focus and hard work. I look forward to continuing to work alongside the team in 2019.

**Moshe (Mooky) Greidinger**  
**CHIEF EXECUTIVE OFFICER**  
 28 March 2019