CHIEF FINANCIAL OFFICER'S REVIEW

DELIVERING STRONG GROWTH

"The Group pro-forma Adjusted EBITDA increased by 9.4% to $1,072.4m."

Nisan Cohen
CHIEF FINANCIAL OFFICER

GROUP PERFORMANCE OVERVIEW

	Year ended 31 December 2018	Restated Year ended 31 December 2017	Statutory movement	Pro-forma Year ended 31 December 2018	Pro-forma Year ended 31 December 2017 (constant currency)	Constant currency movement
Admissions	272.6m	103.8m	162.6%	308.4m	300.7m	2.6%
	$m	$m	%	$m	$m	%
Box office	2,496.6	712.7	250.3%	2,865.0	2,726.7	5.1%
Retail	1,145.2	284.1	303.1%	1,312.9	1,235.2	6.3%
Other Income	477.3	150.2	217.8%	533.5	472.0	13.0%
Total revenue	**4,119.1**	**1,147.0**	**259.1%**	**4,711.4**	**4,433.9**	**6.3%**

Cineworld Group plc results are presented for the year ended 31 December 2018 and reflect the trading and financial position of the US, UK and Ireland ("UK and I") and the Rest of the World ("ROW") reporting segments (the "Group"). Regal Entertainment Group ("Regal") became part of the Group from 1 March 2018 and their post-acquisition results are reflected within the US reporting segment. The 2017 comparatives have been restated following the change in the Group's presentational currency to US dollars as from 1 January 2018.

Unless explicitly referenced, all percentage movements given reflect performance on a constant currency basis to allow a year-on-year assessment of the performance of the business without the impact of fluctuations in exchange rates over time. Constant currency movements have been calculated by applying the 2018 average exchange rates to the 2017 performance. Pro-forma results reflect the Group and US performance had Regal been consolidated for the entirety of the period from 1 January 2017 to provide a more comparable basis to undestand the performance year-on-year. Pro-forma results have also been adjusted to reflect acquisition-related adjustments for the entire Pro-forma period.

Total revenue for the year ended 31 December 2018 on a Pro-forma basis was $4,711.4m, an increase of 6.3% on constant currency basis. On a statutory basis revenue was $4,119.1m, an increase of 259.1% compared with the prior year, as a result of including Regal for the first time. Total admissions increased by 2.6% to 308.4m on a Pro-forma basis.

The principal revenue stream for the Group is box office, which made up 60.8% of total revenue on a Pro-forma basis. Box office revenue is a function of the number of admissions and the ticket price per admission, less sales tax. In addition, the Group operates membership schemes, which provide customers with access to screenings in exchange for subscriptions fees, and this revenue is reported as part of box office. Admissions (one of the Group's key performance indicators) depend on the number, timing and popularity of the films the Group is able to show in its cinemas.

The Group's second most significant source of revenue is from retail sales of food and drink for consumption within cinemas, which made up 27.9% of total revenue on a Pro-forma basis. Retail revenue across the Group is driven by admissions trends within each operating territory.

Other Income represents 11.3% of total Group revenue on a Pro-forma basis. Other Income is made up of all income other than box office and retail, predominantly revenue from advertisements shown on screen prior to film screenings and revenue from booking fees associated with the purchase of tickets online. The Group also generates some distribution revenue in the UK and ROW, which is included within Other Income.

US

The results below show the Group's performance in the United States ("US"). For comparability, the 2018 information for the US has been presented on a Pro-forma basis by including the two months pre-acquisition results for 2018, adjusted for indicative acquisition accounting entries, as well as the post-acquisition financial information for the ten month period to 31 December 2018. For the purposes of percentage movements, the same comparative period and fair value acquisition accounting adjustments have been applied.

	10 months to 31 December 2018	Pro-forma Year ended 31 December 2018	Pro-forma Year ended 31 December 2017	Constant currency movement
Admissions	170.7m	206.5m	196.9m	4.9%
	$m	$m	$m	%
Box office	1,762.8	2,131.2	1,988.6	7.2%
Retail	851.3	1,019.0	941.8	8.2%
Other Income	319.0	375.1	317.1	18.3%
Total revenue	**2,933.1**	**3,525.3**	**3,247.5**	**8.6%**

BOX OFFICE

Box office revenue represented 60.5% (2017: 61.2%) of total revenue on a Pro-forma basis. Admissions and box office revenue increased by 4.9% and 7.2% respectively on a Pro-forma basis during the year to 31 December 2018. These results reflect the strength of the US cinema market in 2018 compared with 2017. Total US industry box office revenue for the year was 6.9% higher compared with the prior year (Source: Comscore). The top three films during the year were "Black Panther", "Avengers: Infinity War" and "Incredibles 2", which together grossed $1,797.0m. This compares with 2017 during which the top three titles were "Star Wars: The Last Jedi", "Beauty and the Beast", and "Wonder Woman", grossing $1,285.5m (Source: Comscore).

The average ticket price achieved in the US increased by 2.2% on a Pro-forma basis to $10.32 (2017: $10.10). The increase reflects inflationary price rises and, importantly, the expansion and popularity of our premium offerings. The top three films in the year were available in a range of formats – IMAX, RPX (an alternative large screen auditorium technology), 4DX and 3D. The most popular films across our premium formats during the year were "Avengers: Infinity War", "Black Panther" and "Jurassic World: Fallen Kingdom".

RETAIL

Retail revenue represented 28.9% of total revenue (2017: 29.0%) and increased by 8.2% from the prior year on a Pro-forma basis. Retail spend per person increased by 3.1% on a Pro-forma basis. The revenue increase is due to higher admissions, inflationary price increases and the continued rollout of our expanded food and alcohol menu. During the year ended 31 December 2018, the US added alcoholic beverages availability at 35 theatres and expanded its food offering in 14 theatres.

OTHER INCOME

Other Income in the US is made up of on-screen advertising revenue and other corporate and theatre income. Advertising revenue is earned through the Group's agreements with National CineMedia ("NCM") and direct contracts with concession vendors and distributors. NCM operates on behalf of a number of US exhibitors to sell advertising time prior to screenings. Advertising revenues are driven primarily by admissions levels and value of advertising sold. Other Income also includes revenue from online booking fees charged on the purchase of tickets for screenings, which is driven by the demand for tickets and the propensity of customers to book tickets online. Less significant elements of Other Income in the US include revenue related to our gift card and bulk ticket programmes and the hire of theatres for events.

UK AND IRELAND

The results below for the UK and Ireland include the two cinema brands in the UK: Cineworld and Picturehouse. The results are presented on a statutory and constant currency basis to provide comparable information unless otherwise stated.

	Year ended 31 December 2018	Restated Year ended 31 December 2017	Statutory movement	Constant currency movement
Admissions	51.6m	53.0m	(2.6%)	N/A
	$m	$m	%	%
Box office	453.5	444.4	2.0%	(1.5%)
Retail	167.5	161.9	3.5%	(0.2%)
Other Income	76.7	69.2	10.8%	7.0%
Total revenue	**697.7**	**675.5**	**3.3%**	**(0.4%)**

BOX OFFICE

Box office revenue represented 65.0% of total revenue (2017: 65.8%). Compared with 2017, admissions in the UK decreased by 2.6% while box office revenue increased by 2.0% on a statutory basis (1.5% decrease on constant currency basis). During the year there were periods of unexpected weather conditions in the UK and some very popular sports events which impacted admissions. These factors, in combination with a strong prior year, presented some challenges for the UK business. The Group maintained its position as market leader in the UK in terms of box office revenue share (Source: Comscore). In the UK and Ireland, the top three grossing films for 2018 were "Avengers: Infinity War", "Mamma Mia: Here We Go Again!" and "Incredibles 2". This compares with the first half of 2017 where the top three titles were "Beauty and the Beast", "Star Wars: The Last Jedi" and "Dunkirk".

The average ticket price achieved in the UK and Ireland increased by 1.2% on a constant currency basis to $8.79 (2017: $8.69). The increase reflects inflationary price increases and the availability and popularity of our premium offerings such as IMAX, Superscreen, 4DX and ScreenX.

RETAIL

Retail revenue represented 24.0% (2017: 24.0%) of total revenue. Retail revenue increased by 3.5% from the prior year on a statutory basis (0.2% decrease on a constant currency basis). Retail spend per person increased by 2.5% on a constant currency basis to $3.25 (2017: $3.17). Spend per person was positively impacted by inflationary price increases, the nature of the film mix, as well as the broader range of retail offerings, including Starbucks and our VIP offering. At the year end, the Group had 32 Starbucks sites, an additional three sites compared with 2017, and two VIP auditoriums.

OTHER INCOME

Other income includes all other revenue streams outside of box office and retail, mainly advertising, online booking fee revenue and some distribution revenue through Picturehouse. Advertising revenue is primarily generated by on-screen adverts and is earned though our joint venture screen advertising business Digital Cinema Media Limited ("DCM"). DCM sells advertising time on-screen on behalf of the UK cinema industry; advertising revenue is impacted by admissions trends and the value of advertising sold. The main driver for the increase in Other Income was an increase in online booking, voucher and event ticket sales, which performed strongly, compared with the comparative period. Advertising revenue performance was stable year-on-year.

REST OF THE WORLD

The results below for the Rest of the World ("ROW") include Poland, Romania, Hungary, the Czech Republic, Bulgaria, Slovakia and Israel. The results are presented on a statutory and constant currency basis to provide comparable information unless otherwise stated.

	Year ended 31 December 2018	Restated Year ended 31 December 2017	Statutory movement	Constant currency movement
Admissions	50.3m	50.8m	(1.0%)	N/A
	$m	$m	%	%
Box office	280.3	268.3	4.5%	1.0%
Retail	126.4	122.2	3.4%	0.7%
Other Income	81.6	81.0	0.7%	(1.8%)
Total revenue	**488.3**	**471.5**	**3.6%**	**0.5%**

BOX OFFICE

Box office revenue represented 57.4% (2017: 56.9%) of total revenue. Admissions in ROW decreased by 1.0% compared with the prior year while box office revenue increased by 4.5% on a statutory basis (1.0% increase on constant currency) compared with the prior year.

Admissions in Poland, Hungary and the Czech Republic increased from the prior year. However, admissions in Romania, Israel, Bulgaria and Slovakia saw some decrease. The comparative negative trends in admissions in 2018 in those specific countries is partly explained by the strong growth achieved in previous years.

Poland performed very well during 2018 supported by the results of local release "Kler", which achieved box office revenue of $28m (Source: Box Office Mojo) and became one of the most successful films in history in the Polish market, followed by another local film "Kobiety Mafii". The most successful films in the ROW during the year were "Avengers: Infinity War" and "Black Panther". The average ticket price increased by 2.0% on a constant currency basis to $5.57 (2017: $5.46); the increase is mainly the result of inflationary price increases.

RETAIL

Retail revenue represented 25.9% of the total revenue (2017: 25.9%). Retail spend per person increased to $2.51 (2017 $2.47) during the year – an increase of 1.6% on a constant currency basis. The growth was driven by a combination of retail initiatives, the nature of the film mix and inflationary price increases.

OTHER INCOME

Other Income includes distribution, advertising and other revenues and represents 16.7% (2017: 17.2%) of total revenue. Forum Film is the Group's distribution business for the ROW and distributes films on behalf of major Hollywood studios as well as owning the distribution rights to certain independent films. Key titles distributed in the period included "Black Panther" and "Tomb Raider". New Age Media is the Group's advertising arm in ROW. Advertising revenues performed well during the year.

Financial Performance

	Year ended 31 December 2018				Restated Year ended 31 December 2017[1]
	US	UK & Ireland	Rest of the World	Total Group	Total Group
Admissions	170.7m	51.6m	50.3m	**272.6m**	103.8m
	$m	$m	$m	**$m**	$m
Box office	1,762.8	453.5	280.3	**2,496.6**	712.7
Retail	851.3	167.5	126.4	**1,145.2**	284.1
Other Income	319.0	76.7	81.6	**477.3**	150.2
Total revenue	**2,933.1**	**697.7**	**488.3**	**4,119.1**	1,147.0
Adjusted EBITDA[2]	**670.4**	**125.9**	**129.1**	**925.4**	257.7
Operating profit				**492.9**	165.0
Financial income				**53.9**	2.5
Financial expense				**(225.2)**	(12.5)
Net financing costs				**(171.3)**	(10.0)
Share from joint venture				**27.4**	0.1
Profit on ordinary activities before tax				**349.0**	155.1
Tax on profit on ordinary activities				**(64.7)**	(25.6)
Profit for the year attributable to equity holders of the Group				**284.3**	129.5

(1) Restated to present the Group's results for the period ended 31 December 2017 in US dollars.

(2) Adjusted EBITDA is defined as Operating profit plus share of profits from joint ventures using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, share-based payment charges, and share of profits received from associates in excess of distributions or any undistributed such profits.

ADJUSTED EBITDA AND OPERATING PROFIT

On a Pro-forma basis, Group Adjusted EBITDA increased by 9.4% to $1,072.4m (2017: $979.9m). The Group Adjusted EBITDA margin rose to 22.8%, up from 22.1% in 2017.

The Group's Adjusted EBITDA has increased by 259.1% to $925.4m (2017: $257.7m), as a result of including Regal for the first time.

On a Pro-forma basis, Adjusted EBITDA for the US operating segment rose to $817.4m from $722.2m last year, an increase of 13.2%. The Adjusted EBITDA margin for the US rose to 23.2% from 22.2% on a Pro-forma basis, the increase was the result of two factors; the year on year increase in admissions coupled with the synergies achieved following the Regal acquisition.

Adjusted EBITDA generated by the UK and Ireland of $125.9m decreased by 3.7% compared with the prior year (2017: $130.8m). The Adjusted EBITDA margin of 18.0% represents a decrease of 1.4% compared with 2017 (2017: 19.4%) as a result of lower admissions in 2018 versus 2017. The ROW generated Adjusted EBITDA of $129.1m, an increase of 1.7% on the prior year (2017: $126.9m). The Adjusted EBITDA margin of 26.4% for ROW represents a small decrease of 0.5% compared with the prior period, driven mainly by the loss of some Virtual Print Fee income compared with previous years.

As the Group operates in ten countries it is exposed to exchange rate fluctuations. Wherever possible, cash income and expenditure are settled in local currency to mitigate foreign exchange risk. However, there are translation differences that arise when presenting the year-on-year performance of the UK and ROW in the reporting currency of the Group.

Operating profit at $492.9m on a statutory basis was 198.7% higher than the prior year (2017: $165.0m). This included a number of non-recurring and non-trade related items that have a net negative impact of $76.6m (2017: $2.4m). These primarily related to:

— Impairment costs of $18.3m (2017: impairment reversal of $6.7m);
— A credit of $1.5m arising from the release of onerous lease provisions (2017: charge of $1.7m);
— A one-off loss of $1.0m relating to the profit on disposal of assets (2017: gain of $2.6m); and
— Transaction costs associated with the acquisition of Regal of $52.1m, reorganisation and redundancy costs of $3.9m and business interruption costs at closed sites due to weather damage of $2.8m (2017: $10.0m in respect of restructuring, redundancy and the Regal and Empire acquisitions); and

The total depreciation and amortisation charge (included in administrative expenses) in the period totalled $320.5m (2017: $87.8m). The charge increased primarily because of the acquisition of Regal and the number of new sites in the Group.

FINANCE COSTS

As part the acquisition of Regal, the Group restructured its debt arrangement. The new arrangement consists of a USD and Euro term loan of $4.1bn and a $300.0m revolving credit facility. This new financing arrangement became effective on 28 February 2018 and the Group's previous finance facility was repaid at that date. The new facility is subject to floating interest rates – a margin of 2.5% for the USD denominated element and 2.625% for the EUR denominated element is added to the LIBOR and EURIBOR respectively. A floor of 0.0% is applied to the LIBOR and EURIBOR to calculate the interest charge. At 31 December 2018, the term loan totalled $3.9bn and the revolving credit facility had not been drawn upon.

Net financing costs totalled $171.3m during the period (2017: $10.0m).

Finance income of $53.9m (2017: $2.5m) was made up of interest income of $2.3m (2017: $0.8m), $47.0m of foreign exchange gains on monetary assets and non-US$ denominated loans and $4.6m unwind of discount on long-term financial assets. The foreign exchange gains arose mainly on the retranslation of the Euro denominated portion of the Group's term loan.

The finance expense of $225.2m (2017: $12.5m) included $146.7m in respect of interest on bank loans and overdrafts (2017: $8.1m). The other finance costs of $78.5m (2017: $4.4m) included $11.0m (2017: $1.9m), amortisation of prepaid finance costs, $17.9m (2017: $1.7m) in respect of the unwind of the discount and interest charges on property-related leases, $1.9m (2017: $0.8m) of foreign exchange losses, $44.2m (2017: $Nil) in respect of the unwind of discount on deferred revenue and $3.5m (2017: $Nil) gains reclassified from equity to profit or loss in respect of settled net investment hedge.

TAXATION

The overall tax charge during the year was $64.7m giving an overall effective tax rate of 18.5% (2017: 16.5%). The increase in the rate reflects changes in the Group's geographical mix of profits, in particular the impact of the US tax rate following the Regal acquisition which is higher than rates in the Group's other markets.

Tax uncertainties and risks are increasing for all multinational groups which could affect the future tax rate. The Group takes a responsible attitude to tax, recognising that it affects all our stakeholders. The Group seeks at all times to comply with the law in each of the jurisdictions in which we operate, and to build open and transparent relationships with those jurisdictions' tax authorities. The Group's tax strategy is aligned with the commercial activities of the business, and within our overall governance structure the governance of tax and tax risk is given a high priority by the Board.

EARNINGS

Profit on ordinary activities after tax in the period was $284.3m, an increase of $154.8m compared with the prior year (2017: $129.5m).

The one-off and other adjusting items in the period had an impact of $68.0m compared $11.4m in 2017. A foreign exchange gain of $45.1m was recognised on the retranslation of the Euro term loan in the period, which forms a natural hedge against the Group's investment in Euro denominated businesses despite not being designated as such in the consolidated Group financial statements. This compared with no foreign exchange loss in the prior period as the previous Euro term loan was designated as a net investment hedge. Basic earnings per share amounted to 22.5c (2017: 21.1c rights adjusted). Eliminating the one-off, nontrade related items totalling $68.0m, adjusted diluted earnings per share were 27.4c (2017: 22.6c rights adjusted).

Following the acquisition of Regal, the Group has taken the opportunity to consider how it presents its adjusted earnings per share calculation. After a review of comparable companies, a decision was made to add back the charge for share-based payments and the credit arising from onerous lease provisions, as they are non-cash items (see Note 4). Management believe that these charges do not form part of the underlying cash profits of the Group and therefore the change in presentation better reflects performance going forward.

ACQUISITION OF REGAL

On 5 December 2017, the Group announced the acquisition of Regal by means of an acquisition of the entire issued, and to be issued, share capital of Regal. The acquisition was based on an implied enterprise value of $5.8bn. Due to the size of the acquisition, it was classed as a reverse takeover under the UK Listing Rules, although not for accounting purposes. The acquisition of Regal completed on 28 February 2018. Consideration for the acquisition of $3.7bn of which $3.4bn was settled in cash, funded by the proceeds of the fully underwritten rights issue at the rights issue price of 157.0p per New Ordinary Share, which raised $2.3bn plus an additional $4.1bn was raised through committed debt facilities. The restructured debt arrangement consists of a USD and Euro term loan of $4.1bn and an undrawn $300.0m revolving credit facility. The previous financing arrangements in place as at 31 December 2017 for the Group and Regal have been settled and replaced with the new financing arrangements from 28 February 2018. As the consideration was entirely paid in cash the acquisition has been accounted for as an acquisition under IFRS 3 rather than as a reverse takeover acquisition, notwithstanding the size of the acquisition.

CASH FLOW AND BALANCE SHEET

Overall, net assets have increased by $2,375.6m, to $3,420.3m since 31 December 2017. Total assets increased by $7,806.7m. This includes the recognition of the fair value of net liabilities acquired with Regal, totalling $(898.2)m and the residual goodwill recognised on acquisition totalling $4,625.8m.

The Group continued to be strongly cash generative at the operating level. Total net cash generated from operations in the period was $687.4m (2017: $243.9m). Net cash outflows from investing activities were $3,559.1m during the period (2017: $142.8m); $3,356.6m related to the acquisition of Regal. Excluding the Regal acquisition, net cash flows from investing activities during the period were $202.5m (2017: $142.8m).

Net debt of $3,733.2m at the period end is higher than the balance at 31 December 2017 by $3,357.4m. Of the net increase $4,062.4m related to the restructuring of the Group's debt arrangement on acquisition of Regal and $87.0m of acquired finance leases. This was in part offset by cash acquired with Regal of $330.8m. The remaining movements relate to $36.9m net foreign exchange gains on cash held and bank debt denominated in currencies other than USD, net repayments of $452.1m and other movements of $(21.6)m.

GOING CONCERN

As a result of the Regal acquisition, on 28 February 2018 the Group restructured its debt arrangements. The previous financing arrangements in place as at 31 December 2017 for the Group and Regal Entertainment Group were settled and replaced by the new financing arrangements for the enlarged Group which consist of a USD and Euro term loan totalling $4.1bn and an undrawn $300.0m revolving credit facility. The revolving credit facility is currently undrawn and subject to springing covenants, which are triggered above 35% utilisation.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its new facilities for at least 12 months from the approval date of these consolidated financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

DIVIDENDS

The Board has proposed a final dividend of 10.15c per share, reflecting the satisfactory performance for the year, the anticipated strong cash flow generation and the strength of the Balance Sheet. The interim dividend of 4.85c per share was paid in October 2018. The record date for the final dividend is 14 June 2019 and the payment date will be 5 July 2019.

Going forward, the Board is proposing to pay four interim dividends for each financial year. Payments in relation to the first three quarters of the year will be equal to 25% of the full year dividend of the prior year, with the final interim payment reflective of the Group's full year earnings performance and resulting in a full year dividend payment aligned with the Group's pay-out ratio. Details of the interim dividend payments are set out in Note 23 to the financial statements.

Nisan Cohen
CHIEF FINANCIAL OFFICER
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