

# Cineworld Group plc

Annual Report and Accounts 2018

**THE BEST PLACE  
TO WATCH A MOVIE**

A photograph of a modern cinema lobby. The central focus is a large, illuminated 'cineworld' sign in a lowercase, sans-serif font. The sign is mounted on a wall of dark, vertical panels. Below the sign, a staircase with a red and white striped carpet and gold handrails leads up. Several people are captured in motion on the stairs, their figures blurred. In the background, movie posters are visible on the wall, including one for 'KAMI NI T' and another for 'KAMPARE'. The lighting is dramatic, with the sign providing a bright focal point against the darker surroundings.

cineworld



## OUR PURPOSE

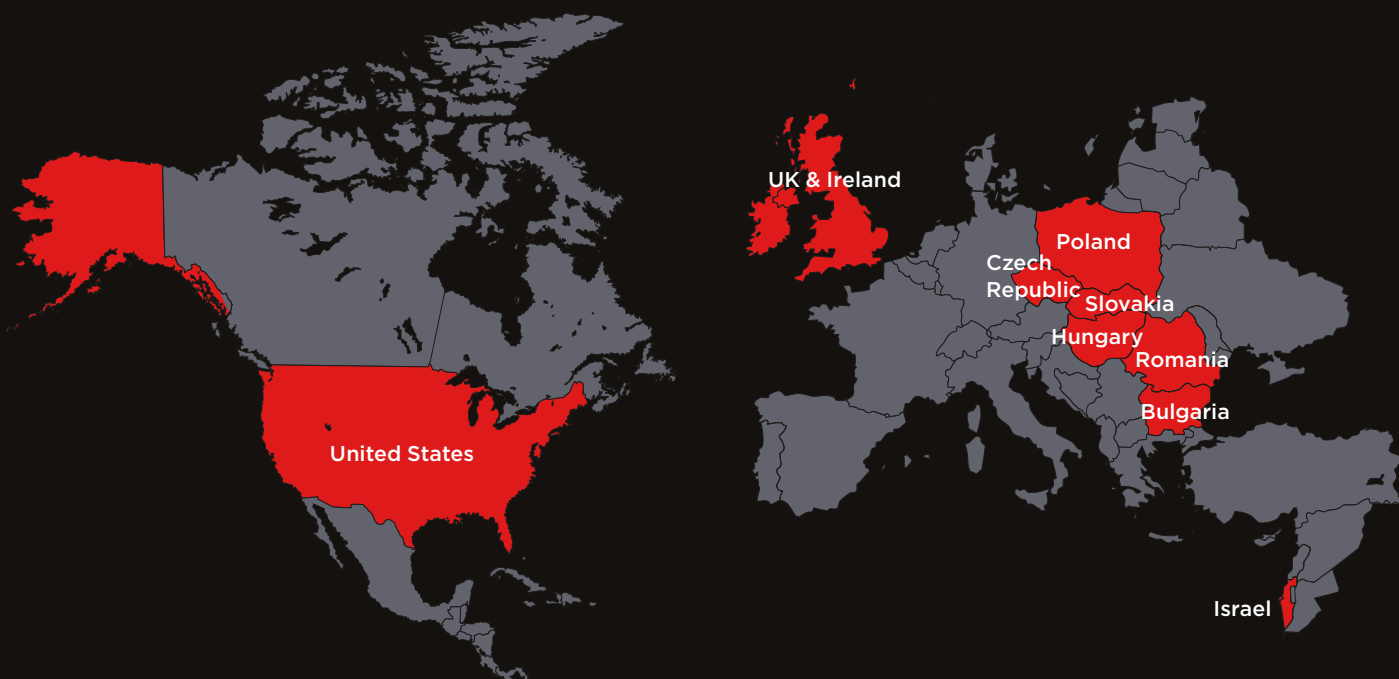
To provide our customers with a choice of how to watch a movie, in modern state-of-the-art cinemas with the latest technology and a variety of retail offerings, all underpinned by great customer service.



# OUR BUSINESS AT A GLANCE

We are an international cinema chain operating in ten different countries with 790 sites and 9,518 screens. We are focused on providing our customers with the best possible cinema experience, offering a variety of movies, as well as different formats using the latest technologies. Our vision is always to be “The Best Place to Watch a Movie”.

## OUR GLOBAL THEATRE OPERATIONS: 10 COUNTRIES, 790 SITES, 9,518 SCREENS



[▶ Read more about our Regal acquisition page 6](#)

**IMAX**

**130**

Number of IMAX screens

**4DX**

**53**

Number of 4DX screens

**PLF**

**116**

Number of PLF<sup>(1)</sup> screens

**SCREEN X**

**19**

Number of ScreenX screens

| Country        | Total no. of sites | Total no. of screens | No. of screens opened in 2018 | No. of 4DX screens | No. of IMAX screens | No. of ScreenX screens |
|----------------|--------------------|----------------------|-------------------------------|--------------------|---------------------|------------------------|
| US             | 555                | 7,269                | 59                            | 8                  | 95                  | 9                      |
| UK & Ireland   | 124                | 1,119                | 43                            | 21                 | 21                  | 8                      |
| Poland         | 34                 | 377                  | -                             | 6                  | 6                   | -                      |
| Romania        | 26                 | 237                  | 6                             | 5                  | 2                   | -                      |
| Hungary        | 17                 | 153                  | -                             | 3                  | 1                   | 1                      |
| Czech Republic | 14                 | 133                  | -                             | 3                  | 1                   | -                      |
| Israel         | 11                 | 136                  | -                             | 4                  | 3                   | 1                      |
| Bulgaria       | 6                  | 65                   | -                             | 2                  | 1                   | -                      |
| Slovakia       | 3                  | 29                   | -                             | 1                  | -                   | -                      |
| <b>Total</b>   | <b>790</b>         | <b>9,518</b>         | <b>108</b>                    | <b>53</b>          | <b>130</b>          | <b>19</b>              |

## A BRIEF HISTORY

**1995**  
Cineworld Group plc was founded.

**2007**  
The Group listed on the London Stock Exchange in May 2007.

**2012**  
The Group acquired the arts chain of cinemas, Picturehouse.

**2014**  
Completed combination with Cinema City International N.V.

**2018**  
Completed acquisition of Regal Entertainment Group.

## 2018 HIGHLIGHTS

Group pro-forma<sup>(2)</sup>  
revenue \$m

**4,711.4**  
(+7.2%)

Adjusted pro-forma<sup>(2)</sup>  
EBITDA<sup>(2)</sup> \$m

**1,072.4<sup>(3)</sup>**  
(+9.4%)

Adjusted profit after tax<sup>(3)</sup> \$m

**345.3**  
(+148.4%)

Profit after tax<sup>(3)</sup> \$m

**284.3**  
(+119.5%)

Adjusted diluted EPS<sup>(3)</sup>  
(rights adjusted) \$c

**27.2**  
(+20.4%)

Diluted EPS<sup>(3)</sup>  
(rights adjusted) \$c

**22.4**  
(+7.1%)

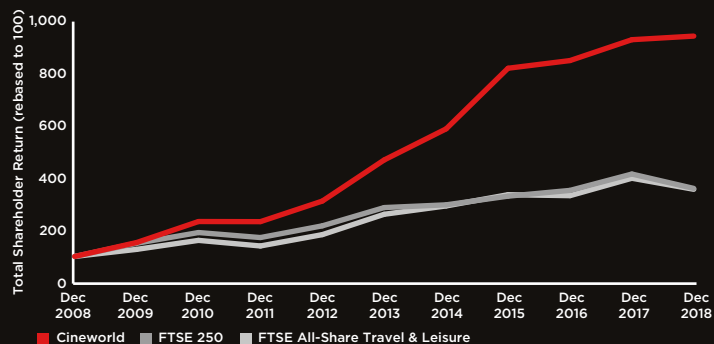
DPS<sup>(3)</sup>  
(rights adjusted) \$c

**15.0**  
(+17.6%)

Pro-forma<sup>(2)</sup>  
admissions m

**308.4**  
(+2.6%)

### Total Shareholder Return



## OUR BRANDS

**REGAL**

Screens  
**7,269**  
Sites  
**555**

**cineworld**

Screens  
**1,038**  
Sites  
**100**

**CINEMA CITY**

Screens  
**994**  
Sites  
**100**

**Picture house**

Screens  
**81**  
Sites  
**24**

**PLANET**

Screens  
**136**  
Sites  
**11**

(1) PLF is defined as Premium Large Format and includes RPX screens in the US and Superscreen screens in the UK and ROW.

(2) Pro-forma results reflect the Group and US performance had Regal been consolidated for the entirety of the period from 1 January 2018. For the purposes of percentage movements, the same comparative period has been applied. Performance against the comparative period has been calculated by taking the Regal performance, converted to IFRS, for the same period from 1 January 2017 to 31 December 2017, to present the consolidated performance as if Regal had been acquired on 1 January 2017.

(3) 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 profit before tax is calculated by adding back amortisation of intangible assets (excluding acquired film distribution rights), and certain non-recurring or non-cash items and foreign exchange difference arising on monetary assets and liabilities as set out in Note 6. Adjusted profit before tax is an internal measure used by management, as they believe it better reflects the underlying performance of the Group and therefore a more meaningful comparison of performance from period to period. Adjusted profit after tax is arrived at by applying an effective tax rate to taxable adjustments and deducting the total from adjusted profit before tax.



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Visit our website

For more information visit:  
[www.cineworldplc.com](http://www.cineworldplc.com)

# A TRANSFORMATIVE YEAR



**Anthony Bloom**  
CHAIRMAN

## OVERVIEW

2018 was a transformative year for the Cineworld Group. The acquisition of Regal Entertainment Group ("Regal") on 28 February made us into a global operator and the second largest cinema chain in the world. By the end of 2018, the Group was operating 9,518 screens in 790 sites across 10 countries. This significant achievement would have been difficult to imagine when we began operations in 1996.

Since that time, both profits and dividends have increased each year, and in the UK alone over 5,000 jobs have been created. The Group is very proud of this record and I am confident its growth will continue in the future.

So it gives me great pleasure to present shareholders with this Annual Report, being the Group's first inclusive of the results of our US operations. As you will see, the acquisition has proved very successful commercially as regards the integration of the business.

Group Pro-forma revenue for the year increased by 7.2% to \$4,711.4m (2017:\$4,394.5m), and Adjusted Pro-forma EBITDA rose to \$1,072.4m (2017: \$979.9m). The growth was driven by the inclusion of the US operations, where on a Pro-forma basis, revenue and Adjusted EBITDA for the Regal business grew by 8.6% and 13.2% respectively.

The US now represents 74.8% of revenue on a Pro-forma basis with the UK representing 14.8% and the Rest of the World ("ROW") 10.4%. As the US is by far the largest segment of the Group's operations, the Board has decided that the Group's results should be reported in US dollars to provide a more meaningful picture of its activities; this Annual Report is the first in that currency.

The Group's UK and ROW operations also continued to perform well, against a bar set very high by 2017's record year in Europe. I am pleased to report that the UK achieved revenue growth of 3.3% with the figure for ROW revenue growth being 3.6%.

Following the combination with Cinema City International N.V. ("Cinema City") in 2014, the Board and Executive Management Team adopted a Strategic Operating Plan which consists of:

- the opening of new cinemas in areas considered to have the potential for double digit growth rates;
- the pursuit of suitable acquisition opportunities;
- the refurbishment of the existing estate by introducing state-of-the-art design and installing the latest cutting edge screening and other technology;
- a consistent focus on cost reduction;
- the implementation of a programme to continuously optimise the customer experience; and
- always living up to our vision to be "The Best Place to Watch a Movie".

During this landmark year in the Group's development, this Strategic Operating Plan remained the focus for generating further success. These broad objectives remain relevant for the Group and going forward will be extended to encompass the operations of Regal.



While mentioning Regal, I would like to acknowledge the tremendous work undertaken by the management and staff on both sides of the Atlantic with regard to the integration and development of the Regal business and cinema estate. I am delighted with the results achieved, but those results in no way diminish the significant challenge the task presented. Of course, the acquisition remains a significant opportunity for us and I believe that with the strength and experience of our people, the Group is well positioned to make the most of it.

While 2018 has seen a focus on the integration of the US, there has been no reduction in the development of the estate and operations in the UK and ROW. We have opened six sites in the UK and one in ROW, while also refurbishing four sites in the UK.

As well as expanding our geographic footprint, the Regal acquisition also had a considerable impact on the Group's Balance Sheet. The acquisition was funded by the proceeds of a fully underwritten rights issue which raised \$2.3bn, and \$4.1bn was raised with debt.

As at 31 December 2018 the Group's Adjusted net debt to Adjusted EBITDA ratio was 3.7 times. The Group is cash generative and has a strong record of sound capital allocation, enabling a significant reduction in debt in the years following the Cinema City combination while we also invested the strategic rollout of new sites and our refurbishment programme.

To demonstrate its confidence in this regard, and given the increase in statutory profit after tax to \$284.3m (2017: \$129.5), the Board has increased the cash dividend paid for the full year by 163.1%. The proposed final dividend per share is 10.15c.

## BOARD AND MANAGEMENT

The Board is committed to attaining the highest standards of corporate governance and applying the utmost rigour in our approach to areas such as gender, diversity, health and safety. Environmental concerns were an area focused upon, and appropriate improvements were made in our practices by reducing plastic usage and energy conservation projects.

On behalf of the Board I would like to express sincere thanks to our highly professional Executive Management Team and all of our employees for their dedication and hard work both in ensuring the successful completion of the Regal acquisition and in achieving the gratifying results now presented; their efforts are a credit to the Group.

The following Board changes took place during the year:

- On 17 January 2019 the appointment of Alicja Kornasiewicz as Deputy Chair was announced. Alicja will succeed to the position of Chair when I step down at the Annual General Meeting ("AGM") in 2020. Alicja has extensive experience in business, finance, politics and regulatory bodies, and has been a valuable member of the Board since 2015. I would like to congratulate her on her appointment.
- Renana Teperberg, Chief Commercial Officer joined the Board as an Executive Director. Renana joined Cinema City International as a cinema cashier in 1997 while studying for a BA in psychology at the Hebrew University of Jerusalem. After progressing to General Manager, she moved to the Cinema City Head Office where she subsequently became Head of Programming and Marketing. Following the combination with Cineworld, she became Senior Vice President of Commercial and then Chief Commercial Officer in 2016. Renana played a major role in the acquisition of Regal. Renana holds an executive MBA in business management from IDC Herzliya.

- Camela Galano was appointed to the Board as an Independent Non-Executive Director. Camela began her career at New Line Cinema, progressing to the role of President of International Sales, Marketing & Distribution, where she oversaw the international distribution of innumerable titles, including the blockbuster trilogy "The Lord of the Rings". Subsequently, Camela became the President of International Film Acquisitions for Warner Bros. Following her time at Warner Bros. she served as President of Relativity International, overseeing global sales, marketing and distribution management of Relativity's own titles, acquisitions and third party releases. Camela is a long-time member of the Academy of Motion Picture Arts and Sciences and the British Academy of Film and Television Arts. Camela is Head of International at Studio 8.

## OUTLOOK

Looking to 2019 and beyond, it is clear to me that it will be an exciting time for the Group. Our well diversified cinema estate, along with continued investment in the UK and ROW circuits and our development plans for the US leave us well placed to take advantage of the strong film slate ahead.

We will focus on maximising cash flow to expand and refurbish our cinemas, while at the same time reducing borrowing levels and maintaining our well established dividend policy. I remain confident that we have the right team and resources to continue growing and making the most of the opportunities ahead.

### Anthony Bloom CHAIRMAN

28 March 2019



In 2018 the Group became a global cinema operator.

# 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**

 Read more **page 14**

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.



**“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.”**



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.**

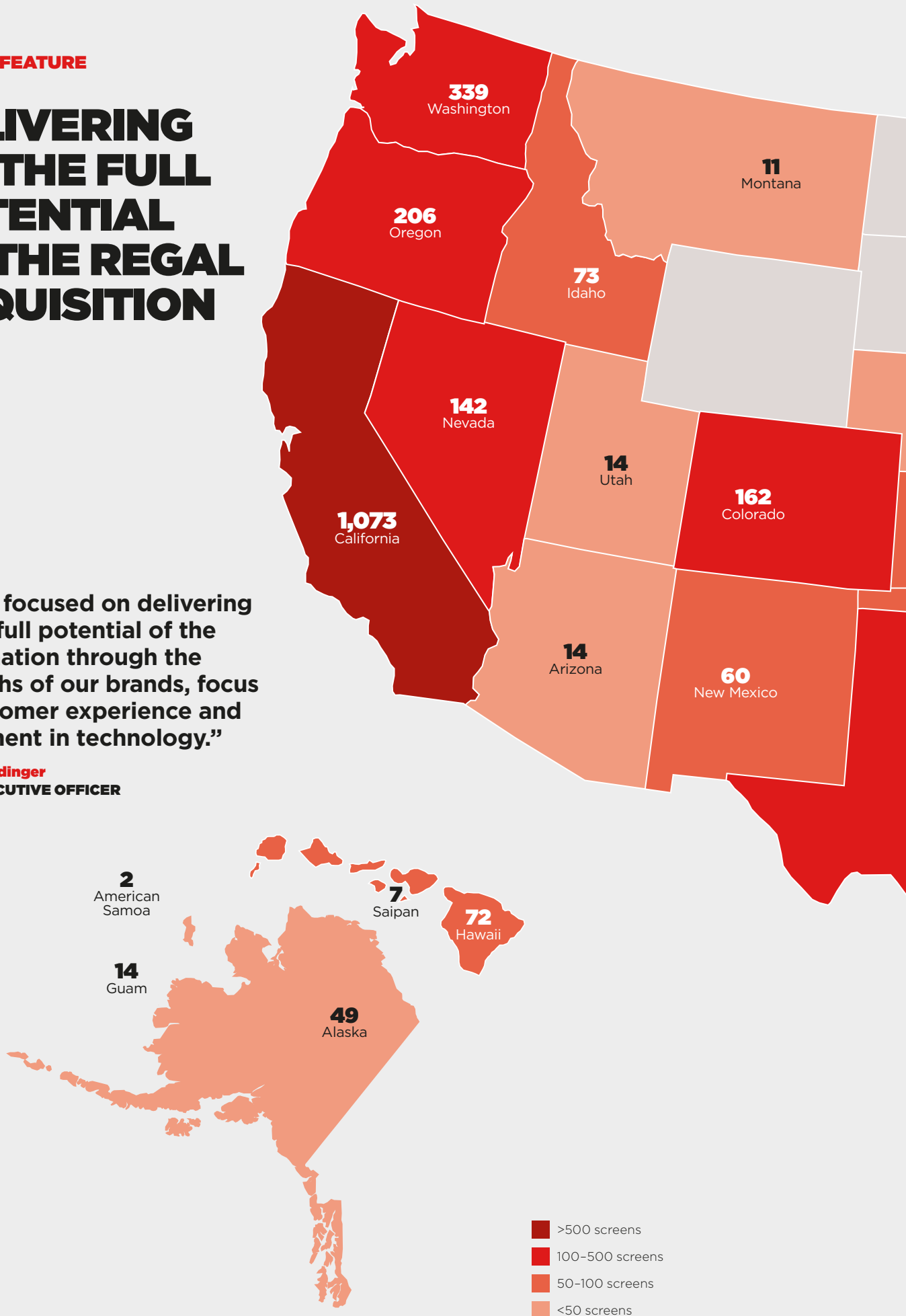


**SPECIAL FEATURE  
REGAL**

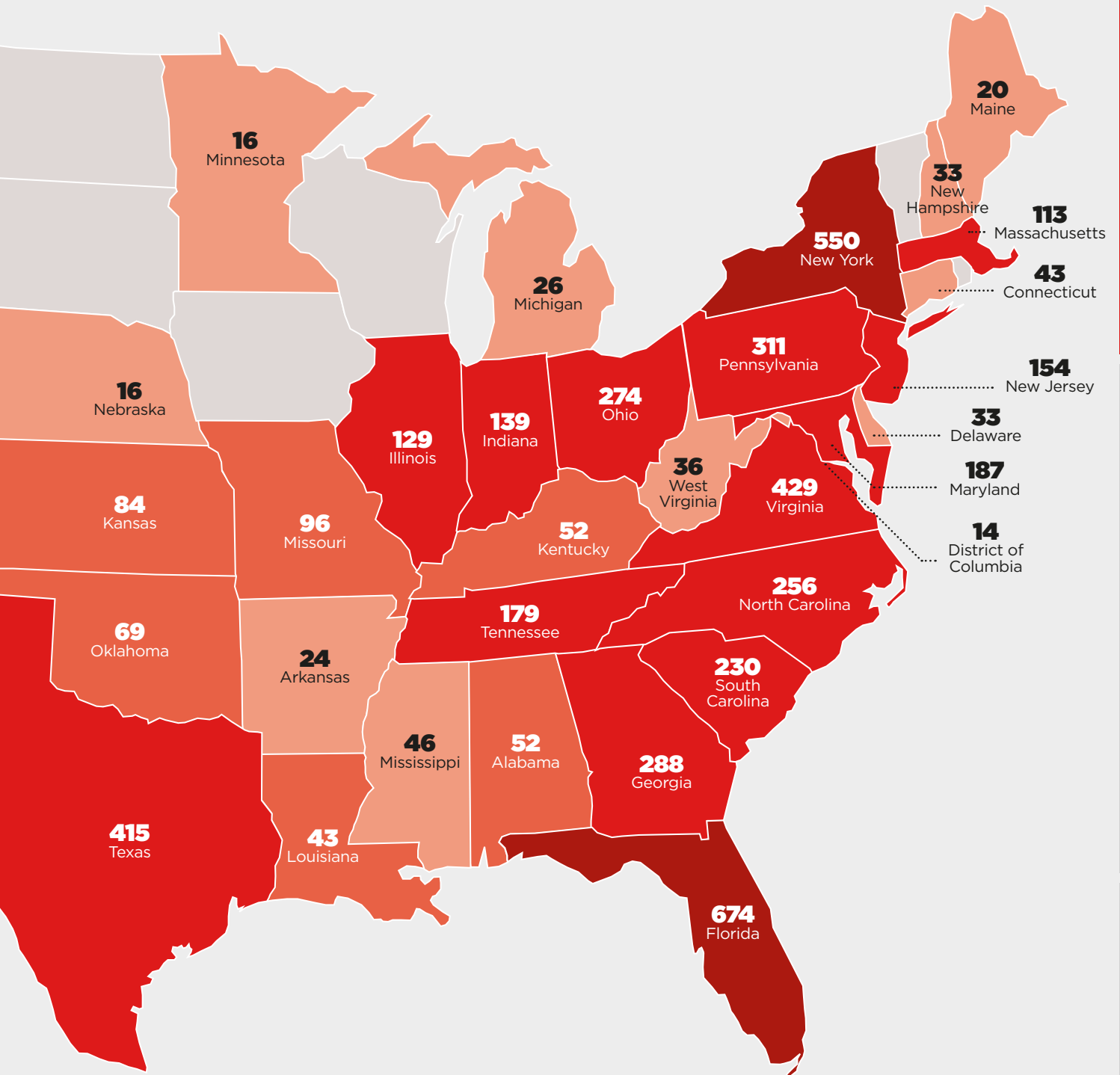
**DELIVERING ON THE FULL POTENTIAL OF THE REGAL ACQUISITION**

“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.”

**Moshe Greidinger**  
CHIEF EXECUTIVE OFFICER







**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

# ADDRESSING OUR BIGGEST OPPORTUNITIES AND CHALLENGES



## Technology and innovation

**Developments in technology have brought new innovative audio and visual experiences to the cinema industry.**

### THE IMPACT

Technology impacts the whole customer journey from booking tickets to purchasing concessions, as well as the audio and visual experience.

The digitalisation of cinemas has resulted in both a greater range of films being offered and the streaming of live events such as opera, theatre and ballet.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

Investment in technology is a key pillar of the Group's strategy - we want to be leaders in this field. The Group was the first to launch ScreenX in Europe and the US this year and 4DX in the UK in 2015, and continues to invest and open more 4DX, ScreenX, IMAX and Premium Large Formats every year. The Group is continually reviewing and analysing the latest technology available to ensure the right technology is selected.

The Group is also evolving its IT systems to provide customers with the ability to book online more easily and through mobile applications.



## Property market and development

**The rate of new cinema openings is often dependent on local market conditions. Planning laws, the economic environment and the ability of developers to finance their projects are factors which impact cinema location.**

### THE IMPACT

The local market conditions impact the rate and feasibility of new openings as well as which sites can be refurbished.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

The Group has been successful in opening 108 new screens over the past year. As the estate is generally older in the mature markets, refurbishment of existing cinemas, in particular in the US and the UK, is a key focus for the Group. Where there are site closures, especially of older sites in the US and the UK, this also provides further opportunities for new investments.



## GDP and the economic environment

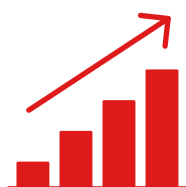
**The cinema industry is dependent on the customer choosing to spend disposable income on watching a movie.**

### THE IMPACT

Value for money remains an important factor and cinema has tended to be a less expensive form of entertainment in the wider leisure market in which the cinema industry competes. Historical trends and patterns show that cinema attendance is most closely related to the quality of the movies rather than the gross domestic product ("GDP") of a territory.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

The Group monitors local and national markets to ensure ticket and concession prices remain a competitively priced form of entertainment. The Group invests in both the estate and technology to ensure customers receive a positive experience during every visit while getting value for money.



## Market maturity

Where a market is in the maturity phase this impacts the level and trend of cinema admissions per capita.

### THE IMPACT

The more mature markets such as the US, UK and Israel tend to be characterised by higher admissions per capita, higher average ticket prices and a lower population per screen ratio. Growth markets have the opposite characteristics and provide great expansion potential for the Group.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

The geographic spread of the Group provides diversification benefits and opportunities across both the more mature and growth markets. This includes the opportunity to open new sites as well as refurbish older sites, particularly in the more mature markets where the estate is generally older.



## Competing media and leisure activities

Throughout the decades the cinema industry has always faced competition from other forms of media delivering content, for example video, video on demand ("VOD"), DVD and Blu-ray.

### THE IMPACT

Although online streaming and the downloading of films at home are increasingly popular, an outing to the cinema provides a unique experience which cannot be replicated at home, especially with superior experiences offered by technologies such as IMAX, 4DX and ScreenX. A trip to the cinema is a social occasion and watching a movie on a large state-of-the-art screen with superb sound is attractive to all age groups. Visiting the cinema remains a convenient, affordable out-of-home activity, especially when compared with other leisure activities such as concerts and sporting events.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

The Group continues to invest in new technology to ensure the experience is unique while remaining an affordable activity for the whole family. Going to the cinema has also become more than just watching a movie, and that is why the Group has invested in its retail offerings such as Starbucks in the UK and our VIP offering.



## Consolidation of the industry

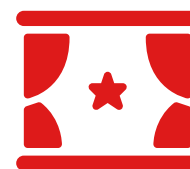
The cinema industry globally has recently seen an increase in acquisition activity and consolidation within the market.

### THE IMPACT

In 2018, Vue bought German cinema group Cinestar, and in 2016 AMC Entertainment acquired Carmike in the US, Odeon in the UK and the Nordic Cinema Group in the Nordics. In the US, outside of the top three chains, the rest of the market is represented by smaller, independent cinema chains which operate in fewer countries and states.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

The Group's strategy includes identifying potential profitable opportunities to grow and expand the business. This has included the acquisition of Regal, making the Group the second largest operator in the world (by number of screens), and previously the acquisition in the UK of the six Empire cinemas.



## Cinematic window

There have been ongoing discussions for a number of years about the cinematic window, the period between the release of a film in a cinema and on any other platform.

### THE IMPACT

A material reduction in the cinematic window could reduce the cinema admissions per capita.

### HOW OUR STRATEGY IS OPTIMISED TO RESPOND

There is no expectation that the current cinema window will change significantly in the near future; however, the Group continually monitors the status of this and regularly engages with the distributors to discuss the subject.



# DELIVERING ON OUR PURPOSE

**OUR VISION**

To be “The Best Place to Watch a Movie”.

**OUR PURPOSE**

To provide our customers with a choice of how to watch a movie, in modern state-of-the-art cinemas with the latest technology and a variety of retail offerings, all underpinned by great customer service.

**WHAT DIFFERENTIATES US**

**1. Diversification of markets and brands**

The geographic spread of our business reduces exposure to volatility in individual markets. It also provides opportunities across both mature and growth markets.



**2. Latest technology**

We are technological leaders in the industry, offering our customers the latest audio and visual technology. We have seven different formats in which our customers can watch a movie: regular screens, 3D, 4DX, IMAX, ScreenX, Premium Large Format (Superscreen and RPX) and VIP auditoriums. We set our prices according to the format the customer chooses and not the movie they choose.



**5. What we do, we do well**

We have optimal management structures supported by effective staff planning in our cinemas allowing teams to be focused on operational excellence and maximising face time with customers. We believe it's the “Tiny Noticeable Things” our people do which make the difference.

[▶ Read more page 28](#)

**4. Innovation**

We are always striving to bring the latest innovation to our cinemas – not only through technology but through the design of our new and refurbished sites and retail offerings. We achieve this through the considerable in-house experience we have across our teams.

**3. Enhance existing estate**

We optimise our portfolio through selected refurbishment and new sites, ensuring we deliver a consistently high quality offering across the Group. Our refurbishment and construction programme is at the heart of our strategy.

## OUR BUSINESS IS UNDERPINNED BY



### OUR PEOPLE

Our people are the face of our business. They are focused on ensuring that our customers feel more from the very start of their cinema experience. A well established training and development programme is used to maintain and continually improve standards.



### OUR TRUSTED COMMERCIAL RELATIONSHIPS

Delivering a high quality film slate is one of the key external drivers of our business. While we do not have control over the content, our close and long-standing relationships with the film distributors are fundamental to providing the best and most varied selection for our customers at the right time. Our brands are important to our commercial partners, helping to deepen our relationships with the film distributors, retail suppliers, advertisers and landlords.



### OUR FINANCIAL STRENGTH

Focus on cost enables us to maintain healthy margins, which in turn drive the cash flow needed to continue to invest in and expand our estate. This continued investment ensures that we are able to reach as many customers as possible with the high quality experience we believe in. We manage investment in our estate in conjunction with the maintenance of a strong Balance Sheet, making the business financially secure, flexible and able to make returns to shareholders.

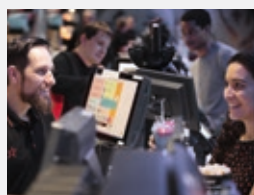


### RISK MANAGEMENT AND GOVERNANCE

Maintaining and monitoring an effective system of risk management and internal control ensures that our business, people and assets are safeguarded and that material financial errors and irregularities are prevented or detected.

## THE VALUE WE SHARE

### CUSTOMERS

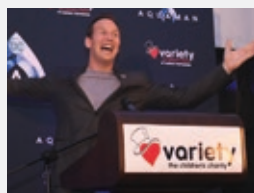


By delivering our vision to be “The Best Place to Watch a Movie”, we are ensuring that our customers feel more and will want to come back to our cinemas again and again.

# 2.6%

admission growth year on year

### WIDER COMMUNITIES



We give back to our local communities through a range of activities and initiatives such as partnering with distributors on charity screenings, providing free shows for organisations and working with local schools and organisations.

# \$5m

donated by the Regal Foundation

### EMPLOYEES

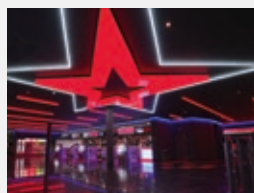


The investment we make in our people, particularly through learning and development, and the way we operate are key to maintaining our happy and motivated workforce.

# 12 years

average length of manager service


### INVESTORS



We remain focused on driving revenues, increasing earnings and prudently managing our cash position, to ultimately provide returns to shareholders. We create value for shareholders through our focus on continually aiming to enhance the experience for our customers. We share the value we generate by reinvesting in the business and expanding our offer to customers, rewarding our employees and paying dividends to our shareholders.

# +9.4%

Adjusted Pro-forma EBITDA growth

 Read more **page 31**



## Provide the best cinema experience to give our customers a choice of how to watch a movie, with a variety of retail offerings, all underpinned by the best customer service

Our people continue to be pivotal in delivering our vision to be “The Best Place to Watch a Movie”. It’s the “Tiny Noticeable Things” our people do which differentiate our customers’ experience. Therefore, recruiting high quality employees and investing in their training is at the heart of our strategy.

Providing our customers with choice is key – this includes the movies they can watch, how they watch them, the type of venue they watch them in and a variety of retail offerings provided to cater for all demographics.

### WHAT WE ACHIEVED

- Record number of admission of over 308m across the Group following the Regal acquisition.
- Our “BeMore” programme, which supports our top talent displaying potential and fulfils our internal succession requirements.
- Awarded 58 scholarships to management staff in the US.
- Further enhanced our customer loyalty programme including Regal Crown Club®.

### MEASURING OUR PROGRESS ADMISSIONS

# 308m

Growth +2.6%



## Expand and enhance our estate to provide consistent, high quality, modern cinemas

When selecting new sites for development or sites for refurbishment we consider the location, accessibility, competition, and other local economic factors. We also have a selective site closure programme when the lease terms have expired and it is not commercially beneficial or feasible to renew these leases.

### WHAT WE ACHIEVED

- Acquisition of Regal in February 2018 with 559 sites and 7,314 screens.
- Opening of 13 new sites: 6 in the US, 6 in the UK and 1 in the ROW.

#### US

- Delta Shores (CA) 14 screens
- Celebration Pointe (FL) 10 screens
- Lynbrook (NY) 13 screens
- MGM Springfield (MA) 7 screens
- Cinebarre Palace Stations (NV) 9 screens
- Santa Fe (NM) 6 screen

#### UK

- Weston-Super-Mare 7 screens
- Dover 6 screens
- Speke 11 screens
- Picturehouse West Norwood 4 screens
- Picturehouse Ashford 6 screens
- Watford 9 screens

#### ROW

- Ramnicu Valcea (Romania) 6 screens

- A further four refurbishments were completed in the UK.

### MEASURING OUR PROGRESS NUMBER OF NEW SCREENS

# 108

2017: 109

### TOTAL NUMBER OF SCREENS

# 9,518

2017: 2,217

### NUMBER OF MAJOR REFURBISHMENTS COMPLETED

# 4

2017: 6





## Be technological leaders in the industry to offer the latest audio and visual technology

We want to be at the forefront of providing the latest technology to our customers. We continue to strengthen and deepen our partnership and relationships with our technology partners ScreenX, IMAX and 4DX.

### WHAT WE ACHIEVED

- The first ScreenX in Europe was opened in the UK at Speke.
- We are one of the largest operators of IMAX screens in the US and across Europe.
- The Group is the only provider of 4DX in the UK and an extensive provider in the US and Europe.
- We continued to develop and roll out our own Premium Large Format, with 116 across the Group at the end of 2018.

### MEASURING OUR PROGRESS NUMBER OF PREMIUM FORMATS

# 130

IMAX screens (2017: 35)

IMAX

# 53

Number of 4DX screens (2017: 38)

4DX

# 19

Number of ScreenX (2017: 0)

SCREENX

# 116

Number of PLF (2017: 11)

PLF



## Drive value for shareholders by delivering our growth plans in an efficient and effective way

To be able to reward our shareholders we remain focused on driving revenues, increasing earnings and prudently managing our cash position.

### WHAT WE ACHIEVED

- Delivered double digit revenue and Adjusted EBITDA growth.
- Adjusted diluted EPS (rights adjusted) increased by 20.4% to 27.2c.
- The Group maintained its dividend pay-out ratio for another year, increasing the full year cash dividend paid by 163.1%.
- Continued focus on driving efficiencies following the completion of the Regal acquisition on 28 February 2018.

### MEASURING OUR PROGRESS AVERAGE TICKET PRICE \$

# 9.3

Growth +2.4%

### RETAIL SPEND PER PERSON \$

# 4.3

Growth +3.6%

### ADJUSTED PRO-FORMA EBITDA \$m

# 1,072.4

Growth +9.4%

### ADJUSTED DILUTED EPS C (RIGHTS ADJUSTED)

# 27.2

Growth +20.4%

**OUR STRATEGY IN ACTION**

# A NEW LOOK...



**“Investment in technology is a key pillar of our strategy to make the cinema “The Best Place to Watch a Movie”.**

**Moshe Greidinger**  
**CHIEF EXECUTIVE OFFICER**



# ...TO EXPERIENCE THE MAGIC OF MOVIES



# GREAT MOVIES...

“Our ScreenX screens, currently in 19 locations give the cinema-goer a 270 degree panoramic film-viewing experience.”

**Moshe Greidinger**  
CHIEF EXECUTIVE OFFICER



EN



# ...EXHILARATING EXPERIENCES

OUR STRATEGY IN ACTION

# STRATEGIC REFURBS...

“Our continued investment ensures that we provide our customers with the high quality experience we believe in.”

**Moshe Greidinger**  
CHIEF EXECUTIVE OFFICER





# ...TO SUPPORT GROWTH

# SUPPORTING GROWTH THROUGH EFFECTIVE RISK MANAGEMENT

## PRINCIPAL RISKS AND UNCERTAINTIES

Operating as a cinema chain that is now in ten different countries presents a number of risks and uncertainties that continue to be the focus of the Board's ongoing attention.

## RISK MANAGEMENT APPROACH

The Group's approach to risk management and internal control is designed to manage risk at all levels. Where possible, the Group has implemented appropriate mitigation strategies to reduce the overall risk exposure in line with the Board's risk appetite. For further details please see the Group approach to risk management set out on pages 48 and 49.

During the year the Risk Management Framework was updated to incorporate Regal. Work is ongoing to fully embed the updated approach in the US which will continue throughout 2019 as part of the ongoing maturity evolution of risk management across the Group.

## PRINCIPAL RISK ASSESSMENT

The Board has undertaken a robust assessment of the principal risks facing the Group during the year, including those that would threaten its business model, future performance, solvency and liquidity.

The time-frame horizon for consideration of the principal risks is aligned to the three year period used when considering the future viability of the Group. For further details, please see the Group's viability statement on page 27.

As a result of the acquisition the Principal risks were updated to reflect the revised Group risk profile, with Risk 3 being updated and Risk 12 and 13 being added.

In addition, the Board has remained vigilant on the possible impact of the UK's exit from the European Union (BREXIT), and consideration has been given to the risks that could have a significant impact on the underlying trading performance of the Group going forward.

Specific management reviews have been undertaken on two areas that potentially could have a heightened risk exposure, 1. UK staffing and 2. our supply chain. The conclusion of these reviews, the fact we do not trade across borders but within countries and that our business has proven consumer appeal throughout economic cycles has enabled the Board to conclude that there is no specific increase in our risk profile.

## APPETITE

The Board undertook a formal annual review of risk appetite, ensuring that the view it has established for each of the principal risks reflects its current perspective and its willingness to accept risk in pursuit of the strategic objectives of the Group. For further details please see the Group approach to risk management set out on pages 48 and 49.

## VIABILITY

In addition, the Directors' viability assessment has taken into consideration the potential impact of the principal risks in the business model, future performance, solvency and liquidity over the period, including principal mitigating actions such as reducing capital expenditure. More details about the viability assessment may be found on page 27.

### Principal Risks

| Risk  | Strategic Relevance | Trend | Owner      |
|---|---------------------|-------|------------|
| 1. Technology and Data Control                  |                     | ↔     | Deputy CEO |
| 2. Availability and Performance of Film Content |                     | ↔     | CCO        |
| 3. Provision of next Generation Cinemas         |                     | ↔     | CEO        |
| 4. Viewer Experience and Competition            |                     | ↔     | CCO        |
| 5. Revenue from Retail/Concession Offerings     |                     | ↔     | CCO        |
| 6. Cinema Operations                            |                     | ↑     | CEO        |
| 7. Regulatory Breach                            |                     | ↔     | CFO        |
| 8. Strategy and Performance                     |                     | ↔     | Deputy CEO |
| 9. Retention and Attraction                     |                     | ↔     | Deputy CEO |
| 10. Governance and Internal Control             |                     | ↔     | CFO        |
| 11. Major Incident                              |                     | ↑     | COO        |
| 12. Integration with Regal                      |                     | NEW   | CEO        |
| 13. Treasury Management                         |                     | NEW   | CFO        |

# PRINCIPAL RISKS AND UNCERTAINTIES

## 1. TECHNOLOGY AND DATA CONTROL ↔

A critical system interruption or major IT security breach encountered.

### LINK TO STRATEGY



**RISK OWNER**  
Deputy CEO

### IMPACT

Any critical system interruption for a sustained period could have a significant impact on the Group's performance. In addition, any breach (cyber or otherwise) of data protection rules or security measures surrounding the storage of confidential and proprietary information (including movie content) could result in unauthorised access, loss or disclosure of this information. This could lead to claims, regulatory penalties, disruption of operations of the Group and ultimately reputational damage.

### MITIGATION ACTIVITY

- The Group IT function monitors, manages and optimises our systems, including ensuring their resilience through regular back-ups and the implementation of security measures.
- External experts are employed where necessary to oversee and help manage major projects involving the upgrading or replacement of key systems.
- Under the direction of the Group Data Protection Officer there is a Data Privacy/ Security Committee (supported by external professional advisors) that drives the programme of data protection across the Group.

### CHANGES IN THE YEAR

- Integration plans/projects have commenced or been completed across our systems, processes and resources.
- The threat of cyber risks has continued to be a focus throughout the year with additional investment being made to ensure we maintain a control environment appropriate for the size of the Group, proportionate to the risk faced and one that maintains pace with advancements in technology.
- The introduction of the General Data Protection Regulation ("GDPR") has meant some changes to systems, policies and procedures to ensure compliance.

### OPPORTUNITY

- Continuing the programme of investment in systems and ensuring our processes are robust will strengthen the day-to-day operations across the Group.

## 2. AVAILABILITY AND PERFORMANCE OF FILM CONTENT ↔

Lack of access to high quality, diverse and well publicised movie product.

### LINK TO STRATEGY



**RISK OWNER**  
CCO

### IMPACT

Underpinning the overall success of the Group is the quality of the movie slate, the timeliness of release, the release window and the appeal of such movies to our customers. Where the movie studios do not produce sufficiently attractive movies, or movies underperform, this has a direct impact on cinema attendance and, therefore, box office revenue for the Group may decline.

### MITIGATION ACTIVITY

- We work closely with distributors to acquaint ourselves, as early as possible, with the upcoming film slate in order to forecast likely movie performance.
- Although access to the latest movie slate is reliant on our relationship with the distributors, the Group's strategy is to show a wide range of movies over and above the traditional Hollywood blockbusters. This allows us to capitalise on specific local area demand for type and content of movies shown.

### CHANGES IN THE YEAR

- The level of admissions in 2018 has continued to demonstrate an undiminished appetite for cinema attendance which has resulted in record box office numbers in the US.
- In the ROW countries locally produced movies continue to be very popular, often outperforming the Hollywood blockbusters, especially in Poland. For further details see the Chief Financial Officer's Review on page 31.

### OPPORTUNITY

- There is a strong movie release programme for 2019 and therefore we expect these to drive continued growth in admissions.
- The increase in geographic footprint will further enhance our ability to mitigate against year-on-year volatility to the individual cinema markets.

## 3. PROVISION OF NEXT GENERATION CINEMAS ↔

Maintaining/refurbishing existing sites and/or developing new sites fails to provide a circuit of next generation cinemas.

### LINK TO STRATEGY



**RISK OWNER**  
CEO

### IMPACT

Ensuring our cinemas are of state-of-the-art design and have the latest cutting edge cinema experience technology are both key for our strategy to provide the best place to watch. A deviation from this could have a direct impact on admissions and the financial health of the Group.

### MITIGATION ACTIVITY

- The site prioritisation analysis for the selection of refurbishments, new sites and or closures.
- Project Management expertise that allows the unique position of renovating without cinema closures.
- Ensuring access to the latest cutting edge technology through our ability to secure agreements with key suppliers.
- Maintaining long-term working relationships with key contractors to ensure continued access to knowledge and experience.

### CHANGES IN THE YEAR

- The acquisition of Regal now puts the Group as the second largest circuit in the world operating over 9,500 screens in almost 800 locations in 10 countries.
- The Group grew the estate as a further nine new cinemas 6 in US, 6 in the UK and 1 in the ROW opened during the year.
- The Group proactively managed its existing estate through the refurbishment and selective closure of certain sites.
- Four refurbishments were completed in the UK, including our flagship Leicester Square site. We have started the refurbishment plans in the US with 10 sites to be refurbished for the first phase of the programme.
- We signed new agreements with both IMAX, 4DX and ScreenX to install a total of 55 new IMAX Laser projectors across the estate, 80 4DX screens in the US and 100 ScreenX.

For further details see the Chief Executive Officer's Review on page 4.

### OPPORTUNITY

- Utilise the success and experience of upgrading Cinemas in a mature UK market to capitalise on the opportunities in the mature market that is the US.

### KEY



Provide the best cinema experience



Expand and enhance our estate



Be technological leaders in the industry



Drive value for shareholders



# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## 4. VIEWER EXPERIENCE AND COMPETITION ↔

The quality of products and services offered fails to meet the needs of the customer and deliver an enhanced viewer experience.

### LINK TO STRATEGY



### RISK OWNER

CCO

### IMPACT

Although cinema admissions are predominantly driven by the quality and availability of films, ensuring that the Group continually enhances the viewer experience is crucial. Any decrease in the quality of the services we offer, from the ease of booking and the technology we use to a friendly farewell on departure, could result in loss of customers to competitors and/or other leisure/entertainment attractions.

### MITIGATION ACTIVITY

- Our strategy is focused on continually improving the quality of services we offer to customers and making a visit to our cinemas a unique experience.
- This includes increasing the efficiency of online booking, cutting edge cinema design, removing clutter from the foyers, investing in technical innovation and premium offerings (4DX and other large screen formats), upgrading seating options (further rollout of the VIP offering to 12 sites in total) and improving retail offers.
- We also focus on our approach to customer interaction with the Group outside of the cinema environment.

### CHANGE IN RISK IN THE YEAR

- Our investment in ensuring we can offer as many screen formats as possible continued with signing 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, 19 ScreenX and 9 4DX screens were opened.
- In the US, our new Regal website was launched which was positively received by our customers and now more tickets are purchased online than ever.
- As part of the integration of the Group, Customer Services for the UK and US have been centralised to ensure consistency in the quality of services offered.

### OPPORTUNITY

- Further expansion of our Unlimited offering across the Group.

## 5. REVENUE FROM RETAIL/CONCESSION OFFERINGS ↔

Delivery of a retail/concession offering that does not meet the requirements and preferences of our customers.

### LINK TO STRATEGY



### RISK OWNER

CCO

### IMPACT

Retail/concession sales generally fluctuate in line with admissions and the genre of film on show. Therefore, if admissions were to fall, revenue from retail sales could decrease. Retail spend may also decrease due to changes in customer preferences, decreased disposable income or other economic and cultural factors. In addition, the cost of items such as energy and foodstuffs, as well as the introduction of the Soft Drinks Industry Levy, has a direct impact on price.

### MITIGATION ACTIVITY

- Through our ongoing monitoring of various metrics, including spend per person, we have the ability to understand and react quickly to changing customer needs.
- A key strategy for the Group is to maintain a strong relationship with the principal retail suppliers.
- We run targeted promotions and bring in different ranges of products to meet changing customer demand.
- The introduction of franchising models for some of the key suppliers has also been an important way of enhancing the range of offerings.
- We are working closely with our drinks partners to reduce and, where possible, mitigate the potential impact of the Soft Drinks Industry Levy. We are doing this by broadening our ranges of diet and sugar free options along with water and trialling innovation with reformulated products whilst still providing consumer choice based on preferences.

### CHANGE IN RISK IN THE YEAR

- Retail revenue remains a function of admissions and spending trends in each local market. This has been positively impacted by the expansion of the Group's retail offerings including five new Starbucks and three new VIP sites.

For further details see the Chief Executive Officer's Review on page 4 and Chief Financial Officer's Review on page 31.

### OPPORTUNITY

- Ongoing review and enhancement of the customer retail journey.

## 6. CINEMA OPERATIONS ↑

Failure to maintain and operate well run and cost effective cinemas.

### LINK TO STRATEGY



### RISK OWNER

CEO

### IMPACT

Operating cinemas well is pivotal to the overall success of the Group. Key to this is to ensure that cinema management understand the local market (film scheduling, pricing and retail offerings), effectively manage their employees, maintain service standards, and are able to react to incidents should they occur. A reduction in performance in any area can have a direct effect on the overall viewer experience, reputation of the cinemas and ultimately the Group's financial performance.

### MITIGATION ACTIVITY

- Cinema management continually monitor their staffing requirements, making adjustments to scheduling based on customer demand, forecasts and film scheduling.
- On a monthly basis detailed operational and financial reviews are undertaken by cinema management teams to ensure performance matches expected targets.
- Ongoing evolution and updating of cinema operational processes and procedures.

### CHANGE IN RISK IN THE YEAR

- Retail revenue remains a function of admissions and spending trends in each local market. This has been positively impacted by the continued evolution of the Group's retail offerings.
- In the UK we have managed to transition our low/no sugar soft drinks offerings to now make up the majority of sales demonstrating this is meeting customer preferences.

For further details please see Resources and Relationships on page 28.

### OPPORTUNITY

- Ongoing review and enhancement of the customer retail journey.

## 7. REGULATORY BREACH ↔

A major statutory, regulatory or contractual compliance breach.

### LINK TO STRATEGY



### RISK OWNER

CFO

### IMPACT

The Group's business and operations are affected by regulations covering such matters as planning, the environment, health and safety (cinemas and construction sites), licensing, food and drink retailing, data protection and the minimum wage. Failure to ensure ongoing compliance with regulation/legislation could result in fines and/or suspension of activity.

### MITIGATION ACTIVITY

- Management operate an ongoing cinema compliance programme, supplemented by independent compliance assurance reviews by external advisors where appropriate.
- Group support functions use a combination of ongoing staff development as well as updates from professional advisors to ensure management are aware of the latest regulations in key areas.

### CHANGE IN RISK IN THE YEAR

- Appointment of a DPO ("Data Protection Officer") and supporting virtual function (with representation from key departments) to focus on GDPR ("General Data Protection Regulation") compliance.
- Aligned the ROW health and safety audit programme to match approach in UK and ensure consistency.
- Aligned the US Cinema Compliance Audit approach to the rest of the Group.

For further details please see Risk Management and Internal Controls section pages 48 and 49.

### OPPORTUNITY

- Align the approach to health and safety audits in the US to the Group approach.
- Continue the evolution of our approach to managing compliance to ensure it is embedded in our day-to-day operations and therefore ensures efficient processes and procedures.

## 8. STRATEGY AND PERFORMANCE ↔

The approach to setting, communicating, monitoring and executing a clear strategy fails to deliver long-term objectives.

### LINK TO STRATEGY



### RISK OWNER

Deputy CEO

### IMPACT

Although the overall strategy for the Group is not a complex one, it is key that this is executed.

Any diversion from this strategy could result in loss of market share to competitors, failure to capitalise on emerging market opportunities, reduction in potential revenue/profits and therefore loss in shareholder value.

### MITIGATION ACTIVITY

- A structure is in place to support effective strategy development, as well as ongoing reporting and monitoring of business performance on a daily, weekly, monthly, quarterly and annual basis. Monitoring Senior Management performance against their agreed personal objectives is an ongoing exercise.
- There are various communication strategies (emails, meetings and conferences) used to ensure the strategic goals of the Group are clearly understood and executed by Senior Management.

### CHANGE IN RISK IN THE YEAR

- The integration strategy to incorporate the best of both companies by bringing together world-class talent, integrating best practices and deepening our understanding of the market has exceeded expectations.
- Although the Group has expanded significantly, the strategy and vision remains 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.

### OPPORTUNITY

- Capitalise on the enlarged size of the Group through our buying and investing ability.
- Continual focus on and review of strategy ensures the Board is well placed to assess value adding opportunities as they arise.

## 9. RETENTION AND ATTRACTION ↔

Failure to attract and retain Senior Management and/or other key personnel.

### LINK TO STRATEGY



### RISK OWNER

Deputy CEO

### IMPACT

The Group's performance and its ability to mitigate significant risks within its control depend on its employees and Senior Management teams. Therefore, reliance is placed on the Group's ability to recruit, develop and retain Senior Management and other key employees. If the Group loses key people this could have an impact on its ability to deliver business objectives.

### MITIGATION ACTIVITY

- To ensure the long-term success of the Group, it uses a variety of techniques to attract, retain and motivate its staff, with particular attention to those in key roles.
- These techniques include the regular review of remuneration packages, share incentive schemes, training, regular communication with staff and an annual performance review process.
- Nurturing talent across the Group is a key part of our strategy and, in support of that, internal succession plays a key part with more than 50% of cinema management positions filled by internal applicants.

### CHANGE IN RISK IN THE YEAR

- Work has been undertaken to align pay standards in the US to the new operational structure.
- In the UK, an advanced leadership programme that supports General Managers progression to the role of Regional Manager was launched.

For further details please see Resources and Relationships on page 28.

### OPPORTUNITY

- The growth of the group has increased the opportunities for internal promotion, and transfers.

### KEY



Provide the best cinema experience



Expand and enhance our estate



Be technological leaders in the industry



Drive value for shareholders

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## 10. GOVERNANCE AND INTERNAL CONTROL ↔

A critical internal control and/or governance failing occurs.

### LINK TO STRATEGY



### RISK OWNER

CFO

### IMPACT

Maintaining corporate governance standards and an effective and efficient risk management and internal control system, proportionate to the needs of the Group, is a key part of short and long-term success. Any failure and/or weakness in this area (financial and non-financial) could have an impact on the efficient and effective operations of the Group.

### MITIGATION ACTIVITY

- The Group uses various mechanisms to support the implementation and effectiveness of controls.
- These include:
  - implementation of the Group Risk Management Framework;
  - ongoing self-assessment process for monitoring cinema compliance and financial control standards;
  - regular consultation and advice from external advisors;
  - a risk-based cinema compliance and financial control audit programme;
  - the delivery of targeted risk-based internal audit reviews; and
  - the use of technology for live forensic monitoring.

### CHANGE IN RISK IN THE YEAR

- As part of the Regal integration programme a Global Risk and Assurance Strategy has been developed and is being implemented
- Appointment of a new external advisor (BDO) to support the delivery of our assurance programme.

For further details please see Risk Management and Internal Control on pages 48 and 49.

### OPPORTUNITY

- Continue to further enhance the use of technology for embedding automated controls and providing ongoing live assurance.

## 11. MAJOR INCIDENT ↑

Inability to respond to a major incident.

### LINK TO STRATEGY



### RISK OWNER

COO

### IMPACT

Cinema businesses could be affected by a major incident, resulting in the public avoiding going to the cinema. The Group may be subject to an increased risk of boycott, targeted civil unrest, and attack on the general public or terrorist action/threat as a result of operating in and or being linked to certain countries or types of film. This could adversely impact the financial performance of the Group.

### MITIGATION ACTIVITY

- We receive communications from relevant government authorities and law enforcement agencies which keep us informed and allow us, when needed, to monitor any potential impact external events could have on the security of our cinema estate.
- Various security systems and/or personnel are in place across the Group.
- Should an incident occur at one of the Group's sites, business continuity and disaster recovery plans are in place to ensure that management can react appropriately.
- Appropriate insurance is in place to mitigate the financial consequences.

### CHANGE IN RISK IN THE YEAR

- Incidents of terrorism/active shooter attacks across the globe mean the Group continues to focus on this as part of its ongoing cinema operations.

### OPPORTUNITY

- Continuous review of processes which can identify areas for operational improvement and improve overall safety at our sites.

## 12. INTERGRATION WITH REGAL NEW

Failure to deliver expected benefits from the Regal acquisition and/or integrate the business into the Cineworld Group effectively.

### LINK TO STRATEGY



### RISK OWNER

CEO

### IMPACT

The significance of the acquisition for the Group means that execution of an effective integration strategy supported by sufficient management resources is critical. If any part of this is not optimised then the Group might not achieve the expected financial and operational benefits which may have an adverse impact on growth, profitability and future cash flow.

### MITIGATION ACTIVITY

- Review of operational structures to ensure they are optimised globally.
- Retention of key expertise within the Group.
- Some senior management transfers to the US from the UK.
- Ongoing Executive Director presence in the US.

### CHANGE IN RISK IN THE YEAR

- Cost Synergies greater than expected and being delivered at a faster pace.
- Revenue synergies via many initiatives covering a big scope of our activity.

### OPPORTUNITY

- Delivering the full potential of the combination through the strength of our brands, focus on customer experience and investment in technology.

For further details please see Chief Executive Officer review on page 4.

### KEY



Provide the best cinema experience



Expand and enhance our estate



Be technological leaders in the industry



Drive value for shareholders



## 13. TREASURY MANAGEMENT

NEW

**Ineffective treasury management slows down our ability to service our debt obligations and deliver against our planned strategic initiatives (e.g. refurbishment programmes)**

### LINK TO STRATEGY



### RISK OWNER

CFO

### IMPACT

A key future strategy for the Group is ensuring it has the ability to use the cash generative nature of the business to reduce the net debt to Adjusted EBITDA ratio. Balancing this with the level of planned investment in strategic initiatives globally will be a continual focus for the Board.

### MITIGATION ACTIVITY

- Integration of Regal and Cineworld treasury functions.
- On-going review of financial instruments being used.

### CHANGE IN RISK IN THE YEAR

- During 2018 we have been able to reward shareholders with growth of 20.4% in the rights adjusted, adjusted diluted earnings per share. 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.

### OPPORTUNITY

- Reduction in the overall net debt to adjusted EBITDA could lead to upgrades in credit ratings and therefore access to enhanced borrowing rates for future growth.

## VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the enlarged Group over a period longer than one year, taking into account the Group's current position, the acquisition of Regal and the potential impact of the principal risks and uncertainties set out on pages 22 to 27.

The Directors have determined that a three year period from the date of approving the financial statements constitutes an appropriate period over which to provide its viability statement. Three years was determined based on the visibility of the future film slate, the enlarged Group's property expansion and renovation plans, investment in technology and relationships with the film distributors.

The Group's business model and strategy have not changed as a result of the Regal acquisition, other than being implemented in the US following the completion of the acquisition. Details of the Group's strategy and business model can be found on pages 12 to 15. The nature of the enlarged Group's activities are long-term and the business model is open-ended. The Group's current overall strategy has been in place for several years, subject to the ongoing monitoring and evolution as required by the Board.

The Directors' viability assessment has taken into consideration the potential impacts of the principal risks in the business model, future performance, solvency and liquidity over the period, including principal mitigating actions that could be considered such as reducing capital expenditure and dividend payments.

For the purpose of assessing the enlarged Group's viability, the Directors identified that of the principal risks detailed on pages 22 to 27 the following are the most important to the assessment of the viability of the enlarged Group:

- lack of availability and performance of film content,
- viewer experience falling below expectation or stronger competition, and
- ability to provide next generation cinemas.

Based on the principal risks identified above, scenario based assessments were performed for the enlarged Group. The scenarios applied included:

- reducing admissions, as a result of lack of film content and/or increased competition through the emergence of new technology or alternative formats to watch films,
- reducing average ticket price, as a result of lack of film content, and/or increased competition through the emergence of new technology or alternative formats to watch films,
- no further expansion of the cinema estate, and
- a combination of the above.

In performing the scenario assessments the enlarged Group would still be able to continue to meet its day-to-day liabilities as they fall due over the three year period.

While this review does not consider all of the risks that the enlarged Group may face, the Directors consider that the scenario based assessment prepared of the enlarged Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

The Directors believe the risk management and internal control systems in place allow them to monitor the key variables that have the ability to impact the liquidity and the solvency of the enlarged Group and are confident that management are able to sufficiently mitigate any situations should they arise. Mitigating actions that could be taken include reducing capital expenditure, reducing dividend payments and reducing variable costs.

Based on this assessment, and having considered the established and expected controls for the risks and the available mitigating actions, the Directors confirm that they have a reasonable expectation that the enlarged Group will be able to continue in operation and meet its liabilities as they fall due over the period.

# OUR BUSINESS MODEL AND STRATEGY ARE UNDERPINNED BY KEY RESOURCES AND RELATIONSHIPS

**INTRODUCTION**

The Group’s key relationships are with our customers, our people, our commercial partners and our wider communities. How we behave and interact with each of these parties reflects on our reputation, which is a key asset underpinning the successful delivery of our strategy.

Our ethics policies seek to guide the behaviour of our people by specifying principles which establish common values through which we do business. We strive to ensure that we act in appropriate ways to maintain and enhance our reputation. The Group seeks to act with honesty and integrity in its dealings with customers, employees, shareholders, regulators, suppliers and our wider community.



**HEALTH AND SAFETY**

Health and safety is of major importance to us when considering the day-to-day health, safety and welfare of our customers, employees and contractors. The Group seeks to maintain the highest standards in the effective management of our health and safety obligations, and our duty of care to our customers and staff.

Each year, cinemas in the Group are subject to health and safety assessments (including aspects of fire, food and occupation). Results are monitored, and any significant issues are followed up by management teams, with the assistance of specialist external consultants where needed.



**ANTI-BRIBERY AND CORRUPTION**

The Group has in place a range of governance-related policies, including Whistleblowing, Gifts and Hospitality, and Health and Safety. The Company has implemented these policies and procedures to ensure it is prepared, to the extent possible, to prevent corrupt practices across our business relationships. The Group endeavours to conduct its business with integrity, aims to be a responsible employer, and adopts values and standards designed to help guide our staff in their conduct and business relationships.



**OUR CUSTOMERS**

Our customers are key to our success. We believe that through listening and being responsive to what our customers tell us about their visits, we are better able to deliver cinema experiences which make us the best place to watch a movie.

In 2018 we launched a new customer feedback programme in partnership with market leading customer engagement solutions provider ‘Rant and Rave’. Our ambition: To amplify customer feedback within the business and generate actionable insights. By empowering our teams to act on the feedback they receive in real time, we aim to deliver measurable improvements to customer satisfaction and brand loyalty.

We focus on providing our customers with a wide variety of movie genres, as well as a choice of how to watch movies in modern state-of-the-art cinemas, with the latest technology and a variety of retail offerings, all underpinned by great customer service.

**NON-FINANCIAL INFORMATION STATEMENT**

The Company has complied with the Non-Financial Reporting Directive contained in sections 414CA and 414CB of the Companies Act 2006.

Where to find related information:

|                        |                        |                 |                        |   |                        |                       |
|------------------------|------------------------|-----------------|------------------------|---|------------------------|-----------------------|
| <b>Environmental</b>   | <b>Employee</b>        | <b>Social</b>   | <b>Human rights</b>    | <b>Anti-corruption and anti-bribery</b> | <b>Principal risks</b> | <b>Business model</b> |
| See pages 28-30 and 71 | See pages 28-30 and 71 | See pages 28-30 | See pages 28-30 and 71 | See page 28                             | See pages 22-27        | See pages 12-13       |

We also have initiatives which aim to extend the relationship with the customer beyond a single visit. In the UK, we have the long established Unlimited membership service for a fixed monthly (or annual) subscription, enabling customers to watch as many films as they wish (with uplifts available if the customer wishes to see the movie in premium formats such as ScreenX, IMAX or 4DX). This scheme was successfully extended to Poland at the end of 2015.

In the US, members of the Regal Crown Club® earn credits for each dollar spent at the Company's cinemas, and can then redeem such credits for movie tickets, concession items, and movie memorabilia at the cinema, online, or via an app. We also have a number of other membership schemes across the Group's territories which offer discounts, and allow us to interact frequently with our customer base.

Event cinema screenings bring a wider range of content to our customers, enabling our audiences to see live shows taking place around the world. Operating in this way supports such productions, making them more commercially viable, accessible to more people and, in turn, brings more people to the cinema.

The Group actively encourages our future cinema-going audience by specifically tailoring film schedules to attract families and young people. Where necessary, these performances are dubbed into the native language to ensure that all customers can enjoy the full cinema experience. Concessionary rates are offered for senior citizens and students at certain times of the day.

Throughout the Group, all national regulators' film classification guidelines are followed, unless local regulators require otherwise. In some of our territories, there are no classification guidelines, and in such cases we provide information to customers about films so they can make informed choices about the type of film being shown. We also ensure that all trailers are complementary in terms of suitability to the main feature.



### RETAIL

As many of our customers still consider going to the cinema as a treat or special occasion, they expect traditional cinema snacks as part of their experience. We offer a range of products to our customers, and we work closely with our partners to provide healthier alternatives where possible. We ensure that we provide good nutrition and allergen advice to enable our customers to make informed choices.



### ACCESS FOR ALL

The Group promotes a philosophy of access for all by offering accessible cinemas for the disabled that show a wide range of films and event cinema. Employees receive disability awareness training and specific advice on welcoming disabled customers. Many of our cinemas offer audio-descriptive, autism-friendly and subtitled performances, and in some countries, the Group allows customers with disabilities to be accompanied by a carer, free of charge. All new cinemas are designed to exceed current statutory requirements, and to provide buildings which are technically advanced, accessible, and safe.

When cinemas undergo major refurbishment as part of an ongoing programme of improvements and renovations, the opportunity is taken to enhance access within cinemas where practicable to do so.



### OUR PEOPLE

2018 saw continued investment in a number of people-related areas, and this includes the integration of Regal into the wider Cineworld Group. Throughout the newly enlarged Group, we remain committed to working with our people in the most engaging way.

During 2018, we have continued to invest in pay and reward structures offering various bonus schemes and competitive rates of pay throughout the Group. We are fulfilling our intention to invest in people-related IT systems, to enhance HR processes and to allow our cinema management teams to spend less time on administrative tasks, and more time working with their teams and customers. We are very proud of our blended approach to Learning and Development initiatives: across the Group we offer a variety of workshops, online learning tools, and leadership and succession programmes – please see the box “Learning and Development in 2018”.

Following the acquisition of Regal, work has been undertaken to align pay standards in the US to the new operational structure and, in 2019, we intend to roll out a new reward, succession, and training philosophy. We remain committed to driving engagement through best practice people-related initiatives, and we are proud of our feedback which demonstrates the important link between engaged teams, and customer experience.

### LEARNING AND DEVELOPMENT IN 2018

There are currently 203 Cineworld employees making their way through our succession programmes, which offer additional opportunities to complete qualifications, ranging from NVQ Level 2 through to ILM (Institute of Leadership and Management) Level 5. In the past 2 years, we have seen 170 Cineworld employees successfully complete a qualification. In the US, the Regal scholarship programme awarded 58 scholarships to management staff, and we have continued our Regal field management internship programme, which propels interns to gain employment at our corporate office after an initial 8-week assignment. Regal HR in the US has partnered with an online education programme to offer college courses to corporate teams to support them with growing technological advancements. In the UK, for the first time, Cineworld has launched a new advanced leadership programme, which aims to support General Managers' progression to the role of Regional Manager. This is the first time Cineworld has invested in a succession programme of this stature, and we are excited to evaluate its impact in 2019.



### DIVERSITY AND HUMAN RIGHTS

The Group is an equal opportunity employer and seeks to recruit, retain and promote staff on the basis of their qualifications, skills, aptitude and attitude. A wide range of applicants are encouraged to apply for all roles. In employment-related decisions, the business complies with all relevant legislation, including that which is specifically targeted at preventing discrimination, and such principles are embedded through the business by requisite policies.

## RESOURCES AND RELATIONSHIPS CONTINUED



### OUR COMMERCIAL RELATIONSHIPS

Having strong commercial relationships is also key to operating our business successfully.

With years of experience in the cinema industry, our teams have worked hard to develop strong working relationships with a range of film studios and distributors, both major and independent. Our focus on driving cinema admissions and on providing our customers with a wide range of movies has resulted in many opportunities for us to work with film studios on simplifying the film buying process and on promoting smaller films to a wider audience.

The Group is committed to protecting the intellectual property rights of films and event cinema. Policies and procedures are constantly reviewed and developed to ensure cinema management are able to effectively monitor and prevent film piracy. Night-vision technology is utilised and there is an increased vigilance around high profile titles which are particularly vulnerable. The Group will continue to work closely with relevant industry and law enforcement organisations in order to help reduce and prevent film piracy.

Building relationships with developers, landlords and local planners is very important to be able to ensure we can maintain an appropriate pipeline of new sites for the future and undertake our refurbishment programme.

We also work very closely with suppliers of innovative technological enhancements, for instance ScreenX, IMAX and 4DX, which enables us to ensure that we are delivering the best possible experience to our customers, as well as looking to maximise box office revenues.

Strong relationships with our principal retail suppliers enable us to work together on promotions that help drive retail sales. We seek to manage relationships with our suppliers fairly, and to work in accordance with our aspirations as set out in our ethical policies.

### THE REGAL FOUNDATION

In the US, the Regal Foundation, a non-profit charitable organisation formed in 2003 to coordinate support for numerous national and local philanthropic efforts, supports the communities in which Regal operates by partnering with selected charities.



### OUR COMMUNITIES

Our work with charities, schools and community groups across all our territories is very important to us. We are involved with a wide range of activities including working with distributors on charity screenings, providing free shows for organisations, and working closely with local schools.

We take part in a wide range of charitable activities throughout the Group. One example is the Regal "Summer Movie Express", where in summer cinema-goers of all ages can enjoy a great selection of "G" or "PG" rated movies at participating cinemas for only a dollar, to benefit the Will Rogers Institute in the US. A portion of the money raised from this campaign goes towards the Institute's mission in the areas of medical research, and health education. In 2018, in the UK, for the third year, Cineworld partnered with BBC's Children in Need initiative, where as a team we raised £600,000.

The Group also works as a venue partner for numerous film festivals. While many are well known and high profile, in certain countries the Group sponsors festivals showcasing local film producers' work and runs short film competitions for students encouraging the development of future talent. This involvement once again helps to promote the Group's brands through the wider film industry.



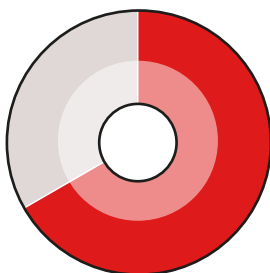
### ENVIRONMENT

We seek to comply with all relevant environmental legislation and to operate in an environmentally sensitive manner. The Board of Directors acknowledges the impact that the business has on the environment and seek to mitigate it. Often changes which help to mitigate our environmental impact also reduce our operating costs.

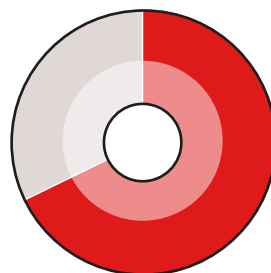
Being a multisite business, the Group is conscious of its total energy consumption and amount of waste materials generated and is actively working on reducing both. The Group's mandatory greenhouse gas report can be found in the Directors' Report on pages 67 to 72. Our cinema websites enable e-tickets to be purchased and used, avoiding the need to print tickets. In new and refurbished cinemas, poster cases are now digital, reducing the need to deliver, install, and ultimately throw away large paper posters. All these efforts help to reduce our use of resources and carbon footprint.

### GENDER BREAKDOWN

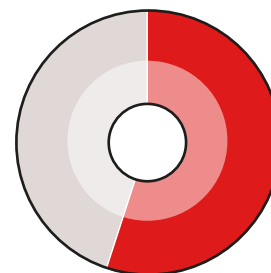
Board of Directors<sup>(1)</sup>



Senior managers



Total employees<sup>(2)</sup>



(1) As at 31 December 2018.

(2) Data is based on the average headcount for 2018.



# 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<br>31 December<br>2018 | Restated<br>Year ended<br>31 December<br>2017 | Statutory<br>movement | Pro-forma<br>Year ended<br>31 December<br>2018 | Pro-forma<br>Year ended<br>31 December<br>2017<br>(constant<br>currency) | Constant<br>currency<br>movement |
|----------------------|-----------------------------------|---|-----------------------|--|--|----------------------------------|
|                      | \$m                               | \$m   | %                     | \$m  | \$m  | %                                |
| Admissions           | 272.6m                            | 103.8m  | 162.6%                | 308.4m   | 300.7m   | 2.6%                             |
| 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%                            |
| <b>Total revenue</b> | <b>4,119.1</b>                    | <b>1,147.0</b>                                | <b>259.1%</b>         | <b>4,711.4</b>                                 | <b>4,433.9</b>   | <b>6.3%</b>                      |

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 understand 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.

## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

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<br>31 December<br>2018 | Pro-forma<br>Year ended<br>31 December<br>2018 | Pro-forma<br>Year ended<br>31 December<br>2017 | Constant<br>currency<br>movement |
|----------------------|-------------------------------------|--|--|----------------------------------|
|                      | \$m                                 | \$m  | \$m  | %                                |
| Admissions           | 170.7m                              | 206.5m   | 196.9m   | 4.9%                             |
| 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%                            |
| <b>Total revenue</b> | <b>2,933.1</b>                      | <b>3,525.3</b>                                 | <b>3,247.5</b>                                 | <b>8.6%</b>                      |

### 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<br>31 December<br>2018 | Restated<br>Year ended<br>31 December<br>2017 | Statutory<br>movement | Constant<br>currency<br>movement |
|----------------------|-----------------------------------|---|-----------------------|----------------------------------|
|                      | \$m                               | \$m   | %                     | %                                |
| Admissions           | 51.6m                             | 53.0m   | (2.6%)                | N/A                              |
| 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%                             |
| <b>Total revenue</b> | <b>697.7</b>                      | <b>675.5</b>                                  | <b>3.3%</b>           | <b>(0.4%)</b>                    |

### 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 through 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<br>31 December<br>2018 | Restated<br>Year ended<br>31 December<br>2017 | Statutory<br>movement | Constant<br>currency<br>movement |
|----------------------|-----------------------------------|---|-----------------------|----------------------------------|
|                      | \$m                               | \$m   | %                     | %                                |
| Admissions           | 50.3m                             | 50.8m   | (1.0%)                | N/A                              |
| 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%)                           |
| <b>Total revenue</b> | <b>488.3</b>                      | <b>471.5</b>                                  | <b>3.6%</b>           | <b>0.5%</b>                      |

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



## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

### 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**  
 28 March 2019

# OUR INTERNAL GOVERNANCE PROCEDURES SUPPORT OUR STRATEGIC PRIORITIES



## **DEAR SHAREHOLDERS**

I am pleased to present the Corporate Governance Statement for 2018.

As mentioned in my Chairman's letter on page 2, the acquisition of Regal Entertainment Group in February 2018 was transformational for the Company. The size of the consideration, and the significant amount of due diligence and scrutiny necessary, required a strong corporate governance framework at Board level, and it is gratifying to report the systems and culture that we have put in place over the years worked well and enabled the transaction to be completed both timeously and efficiently.

Having served as Chairman of Cineworld since its original formation as Cine-UK Limited almost 25 years ago, I am particularly proud to have witnessed another year of growth as I look ahead to my planned retirement in 2020. As announced in January of this year, Alicja Kornasiewicz has been appointed as Deputy Chair, and will become Chair of the Board at the conclusion of the 2020 Annual General Meeting ("AGM"), when I will be stepping down. Alicja joined in 2015 as an Independent Non-Executive Director and has played a valuable role on the Board. She has had a distinguished career in business, finance, politics, and on regulatory bodies, and her experience and background will be an asset to the Company in the years ahead.

In July 2018, it was announced that Renana Teperberg was joining the Board as an Executive Director. Renana has a long history with the business, having joined Cinema City International as a cashier in 1997. Renana progressed to the role of Chief Commercial Officer in 2016 and played a major role in the acquisition of Regal. Renana will lend considerable value and strength to the Board; she has an outstanding track record, and deep experience of the cinema exhibition business.

At the same time, it was announced that Camela Galano, an experienced international film executive based in the US, would join the Board as an Independent Non-Executive Director. Importantly, Camela has excellent contacts and experience in the US, which now represents the majority of the Group's activities.

Following an internal evaluation of the composition and effectiveness of the Board, I am pleased to report that it supported the view that the Board and its Committees are operating efficiently and productively. An external evaluation will be conducted in 2019, in accordance with the UK Corporate Governance Code (the "Code").

A rigorous system of risk management and control is an essential element of good governance. Details of the annual risk review, which took into account the impact of the Regal acquisition, are contained in the Accountability section starting on page 48. The Audit Committee continued its key work in overseeing our internal control and risk management systems, which included a comprehensive review of the effectiveness of our internal audit systems and controls, in accordance with the Code, and more information on this exercise is on page 48. The Remuneration Committee conducted a full review of the Company's Remuneration Policy in the early part of the year, to ensure it remains fit for purpose in the context of our newly enlarged business, and the new Policy was adopted at last year's AGM. Further details of the work of the Remuneration Committee in this area may be found in the Directors' Remuneration Report on pages 55 to 66.

More recently, on 12 March this year, we announced that Julie Southern will not be seeking re-election at the AGM in May and will step down at that point. We thank Julie for her tremendous contribution since her appointment in 2015, and wish her every success for the future. It is planned that Dean Moore will become Chair of the Audit Committee, and Alicja Kornasiewicz will become Chair of the Remuneration Committee, following Julie's departure. Plans for the recruitment of a new Non-Executive Director are under way.

**Anthony Bloom**  
**CHAIRMAN**

28 March 2019



## BOARD STATEMENTS

| REQUIREMENT   | BOARD STATEMENT   |
|---|---|
| <b>Compliance with the UK Corporate Governance Code</b> | The principal governance rules applying to companies with a premium listing for the year covered by this statement are contained in the Code published by the UK Financial Reporting Council ("FRC") in April 2016 (the "Code"), and a copy is available on its website <a href="http://www.frc.org.uk">www.frc.org.uk</a> . For the year ended 31 December 2018, the Board considers that the Company was compliant with the provisions of the Code, save that to ensure the timely execution of the Regal transaction, the Company considered it expedient to convene the general meeting approving the transaction on 14 days' notice in accordance with the authority conferred by shareholders at the annual general meeting in 2017, rather than the 14 working days' notice provided for in the Code.  |
| <b>Going Concern</b>                                    | The Directors consider that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these accounts. Thus they continue to adopt the going concern basis in preparing the annual financial statements. In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on pages 1 to 35 and the Principal Risks and Uncertainties on pages 22 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, as well as the Group's objectives, policies and processes for managing capital, are described on pages 31 to 35. Financial risk management objectives, details of financial instruments and hedging activities, and exposure to credit risk and liquidity risk are described in Note 24 to the financial statements. |
| <b>Viability</b>  | The Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 22 to 27. Based on this assessment, and having considered the established controls for the risks, and the available mitigating actions, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to 2021. For more information on the viability assessment, please see page 27.   |
| <b>Robust Assessment of Principal Risks</b>             | The Directors consider they have undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. Please refer to pages 22 to 27 for further information on the Company's principal risks and uncertainties, and their impact on the prospects of the Group.   |
| <b>Review of Internal Control and Risk Management</b>   | The Directors have carried out a review of internal control and risk management. Please refer to pages 48 and 49 for further information.   |
| <b>Fair, Balanced and Understandable</b>                | The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Please refer to page 51.   |

## BOARD OF DIRECTORS

At 31 December 2018

### Anthony Bloom



#### Chairman

**Date appointed as Chairman:** October 2004

**Tenure on Board:** 14 years 2 months

**Independent:** No

#### Committee memberships:

No formal memberships, but has attended all meetings by invitation

#### Relevant skills, qualifications and experience:

Anthony Bloom joined the Board in October 2004 as Chairman, and has served as Chairman since the business was founded in 1995. He was previously Chairman and Chief Executive of The Premier Group Limited (South Africa) and a director of Barclays Bank (South Africa), South African Breweries and Liberty Life Assurance.

Mr Bloom holds Bachelor of Commerce and Bachelor of Law (cum laude) degrees from the University of Witwatersrand in South Africa and a Masters of Law degree from Harvard Law School. He was a Sloan Fellow at the Stanford Graduate School of Business. In 2002, Mr Bloom was awarded the degree of Doctor of Law (H.C.) by the University of Witwatersrand in recognition of his contribution towards the establishment of a non-racial society in South Africa. Mr Bloom was awarded the 'Lifetime Achievement' award at CinemaCon in Las Vegas in 2019.

**Principal external appointments:** Non Executive Director London Symphony Orchestra and Non Executive Director TechnoServe, Inc.

### Alicja Kornasiewicz



#### Non-Executive Director and Deputy Chair

**Date appointed to Board:** May 2015

**Tenure on Board:** 3 years 7 months

**Independent:** Yes

#### Committee memberships:

Audit Committee

#### Relevant skills, qualifications and experience:

Alicja Kornasiewicz joined the Board in May 2015 as an independent Non-Executive Director, and is a member of the Audit Committee. Ms Kornasiewicz brings extensive Central and Eastern Europe financial and political experience to the Board. Previously, she was the Chief Executive Officer of Bank Pekao SA. She was also Head of Investment Banking for Emerging European countries at Unicredit Group and a member of the Executive Committee. Ms Kornasiewicz served as Secretary of State in the Polish Ministry of Treasury from 1997 to 2000. Prior to that she worked for the European Bank for Reconstruction and Development (EBRD). Over the last 20 years she has held a number of supervisory board positions. Ms Kornasiewicz holds a PhD in economics from Poznan University of Economics and graduated from Harvard Business School.

**Principal external appointments:** Senior Advisor for Investment Banking Division at Morgan Stanley; Non-Executive Director of EuroCash Group.

### Moshe (Mooky) Greidinger



#### Chief Executive Officer

**Date appointed to Board:** February 2014

**Tenure on Board:** 4 years 10 months

**Independent:** No

#### Committee memberships:

None

#### Relevant skills, qualifications and experience:

Moshe Greidinger joined the Board in February 2014 as Chief Executive Officer. Prior to that he was Chief Executive Officer of Cinema City International ("CCI"). He joined Cinema City in 1976. Since 1984, Mr Greidinger has held executive positions with Cinema City, has served as a Director and Deputy Managing Director of Israel Theatres Limited since 1983, and as Co-Chairman of the Cinema Owners Association in Israel since August 1996. Mr Greidinger is a Non-Executive Director of Global City Holdings B.V. (formerly CCI).

Mr Greidinger achieved the "Exhibitor of the Year Award" at ShoWest in Las Vegas in 2004, "International Exhibitor of the Year Award" at CineEurope, in Amsterdam in 2011, with special recognition for having developed new markets in Central and Eastern Europe, and the "Global Achievement in Exhibition Award" at CinemaCon in Las Vegas in April 2016.

**Principal external appointments:** Director of Israel Theatres Limited; Co-Chairman of the Cinema Owners Association, Israel; Head of the Board of Trustees, the Hebrew Reali School of Haifa. He is a member of the National Association of Theatre Owners Global Cinema Federation (NATO).

### Israel Greidinger



#### Deputy Chief Executive Officer

**Date appointed to Board:** February 2014

**Tenure on Board:** 4 years 10 months

**Independent:** No

#### Committee memberships:

None

#### Relevant skills, qualifications and experience:

Israel Greidinger joined the Board in February 2014 as Chief Operating Officer. In August 2014, his role changed to Deputy Chief Executive Officer.

From 1994 until 2014, he worked for Cinema City International ("CCI") and was appointed Chief Financial Officer of CCI in 1995. Mr Greidinger has also served as a Director of Israel Theatres Limited since 1994.

From 1985 to 1992, he was Managing Director of C.A.T.S. Limited (Computerised Automatic Ticket Sales), and from 1992 to 1994, he was President and Chief Executive Officer of Pacer C.A.T.S. Inc.

**Principal external appointments:** Director of Israel Theatres Limited since 1994; Chairman of the Israeli Friends of Rambam Health Care Campus.

### Nisan Cohen



#### Chief Financial Officer

**Date appointed to Board:** January 2017

**Tenure on Board:** 2 years

**Independent:** No

#### Committee memberships:

None

#### Relevant skills, qualifications and experience:

Nisan Cohen joined the Board in January 2017 as Chief Financial Officer, and before that had been part of the Cineworld Group for 16 years. Previously, as Vice President of Finance, he led the integration of the finance teams in the Cineworld Group across nine countries after the Cinema City Combination in 2014. More recently, he served as Deputy Chief Financial Officer.

In 2018, Mr Cohen made a major contribution to the successful acquisition of Regal Entertainment Group, including leading the integration of the UK, ROW and US financial teams.

**Principal External Appointments:** Mr Cohen is a member of The Institute of Certified Public Accountants in Israel.

### Renana Teperberg



#### Chief Commercial Officer

**Date appointed to Board:** July 2018

**Tenure on the Board:** 6 months

**Independent:** No

#### Committee memberships:

None

#### Relevant skills, qualifications and experience:

Renana Teperberg was appointed to the Board in July 2018, and has been part of the Cineworld Group for over 20 years. Ms Teperberg first joined Cinema City International as a cashier in 1997, while studying for a BA in psychology at the Hebrew University of Jerusalem.

After progressing to General Manager, she moved to the Cinema City International Head Office where she subsequently became Head of Programming and Marketing.

Following the combination with Cineworld, she became Senior Vice President of Commercial and then Chief Commercial Officer in 2016. Recently, Renana played a major role in the acquisition of Regal Entertainment Group.

Renana holds an executive MBA in business management from IDC Herzliya.

**Principal External Appointments:** Ms Teperberg is a Non-Executive Director of AC JV, LLC (Fathom Events), National Cinema Media, Inc., Digital Cinema Media Limited, and Digital Cinema Distribution Coalition.

**Eric (Rick) Senat****Non-Executive Director and Senior Independent Director****Date appointed to Board:** July 2010**Tenure on Board:** 8 years 5 months**Independent:** Yes**Committee memberships:** Nomination Committee (Chair) and Remuneration Committee**Relevant skills, qualifications and experience:**

Rick Senat joined the Board in July 2010 and is Chair of the Nomination Committee and a member of the Remuneration Committee. He is also Senior Independent Director.

Mr Senat has over 40 years' experience in the film industry, joining Warner Bros in 1976 and becoming its Senior Vice-President for Business Affairs in Europe. He retired from Warner Bros after 25 years' service. Mr Senat was also a director of the legendary, and recently revived, film company Hammer Film Productions, and has previously served as Vice Chair of the British Film Institute.

Until recently, he was a partner in the Blair Partnership, a Non-Executive Director of Pottermore Limited and Bank Leumi (UK) plc., and Non-Executive Chairman of the London Film Museum.

Mr Senat is a graduate of University College London and a solicitor.

**Principal external appointments:** Non-Executive Chairman of Mad Dog Casting Limited.

**Camela Galano****Non-Executive Director****Date appointed to Board:** July 2018**Tenure on Board:** 6 months**Independent:** Yes**Committee memberships:** None**Relevant skills, qualifications and experience:**

Camela Galano was appointed to the Board as an independent Non-Executive Director in July 2018.

Camela began her career at New Line Cinema, progressing to the role of President of International Sales, Marketing & Distribution, where she oversaw the international distribution of innumerable titles, including the blockbuster trilogy "The Lord of the Rings".

Subsequently, Camela became the President of International Film Acquisitions for Warner Bros. Following her time at Warner Bros., she served as President of Relativity International, overseeing global sales, marketing and distribution management of Relativity's own titles, acquisitions and third-party releases.

Ms Galano is a longtime member of the Academy of Motion Picture Arts and Sciences, and the British Academy of Film and Television Arts.

**Principal External Appointments:** Ms Galano is Head of International at Studio8.

**Dean Moore****Non-Executive Director****Date appointed to Board:** January 2017**Tenure on Board:** 2 years**Independent:** Yes**Committee memberships:** Remuneration Committee (Chair) and Audit Committee**Relevant skills, qualifications and experience:**

Dean Moore joined the Board in January 2017 as an independent Non-Executive Director. He is Chair of the Remuneration Committee, and a member of the Audit Committee. Previously, he acted as interim Chief Financial Officer, for a period of 10 months, where his mandate was to focus on the Chief Financial Officer succession planning process in respect of current Chief Financial Officer, Nisan Cohen.

Prior to this, Mr Moore worked as Chief Financial Officer of N Brown Group plc for 12 years from 2003 to 2015, before which he was Chief Financial Officer of T&S Stores plc until it was acquired by Tesco plc in early 2003.

From 1996 to 1999 he was Chief Financial Officer of Graham Group plc, and he has held a number of other senior finance positions. Mr Moore is a Chartered Accountant (ICAEW) and graduate of University of Aston (Business Management BSc).

**Principal External Appointments:** Mr Moore is a Non-Executive Director, Audit Committee Chair, and Senior Independent Director of Volex Plc.

**Scott S. Rosenblum****Non-Executive Director****Date appointed to Board:** February 2014**Tenure on Board:** 4 years 10 months**Independent:** No**Committee memberships:** Nomination Committee**Relevant skills, qualifications and experience:**

Scott S. Rosenblum joined the Board in February 2014 as a Non-Independent Non-Executive Director. He is a member of the Nomination Committee.

Prior to his appointment, he was a member of the Supervisory Board of Cinema City International ("CCI"), becoming its Chairman in 2011.

Mr Rosenblum is licensed as a lawyer and is admitted to the New York Bar Association. For the past 28 years, he has been a partner in the law firm of Kramer Levin Naftalis & Frankel LLP, New York, where he was Managing Partner between 1994 and 2000 and a member of the Executive Committee until 2018. Mr. Rosenblum is also Co-Chairman of the Corporate Department.

Mr Rosenblum is a graduate of Dartmouth College and the University of Pennsylvania Law School. He has extensive experience in areas of general corporate and securities law, corporate finance, corporate governance, mergers and acquisitions and joint ventures.

**Principal external appointments:** Partner since 1991 and Co-Chairman since 2000 of the Corporate Department of Kramer Levin Naftalis & Frankel LLP; Director and advisor to the boards of various public and private companies.

**Arni Samuelsson****Non-Executive Director****Date appointed to Board:** February 2014**Tenure on Board:** 4 years 10 months**Independent:** Yes**Committee memberships:** Nomination Committee**Relevant skills, qualifications and experience:**

Arni Samuelsson joined the Board in February 2014 as an independent Non-Executive Director. He is a member of the Nomination Committee.

He has over 40 years of cinema exhibition and film distribution experience, principally through SAMfélagið (Samfilm) – a cinema exhibitor and film distributor in Iceland, of which he has been joint owner and Chief Executive Officer since it was formed in 1975.

Mr Samuelsson has been Chief Executive Officer of Samfilm EHF (SAMfélagið's distribution arm) since 1975, and Chief Executive Officer of SAMcinema (SAMfélagið's cinema arm) since the same year. Prior to this, Mr Samuelsson was a Director and owner of Vikurbær, a supermarket business in Keflavik, from 1972 until its sale in 1982.

**Principal external appointments:** Chief Executive Officer of Samfilm EHF (SAMfélagið's distribution arm) since 1975; Chief Executive Officer of SAMcinema (SAMfélagið's cinema arm) since 1975.

**Julie Southern****Non-Executive Director****Date appointed to Board:** May 2015**Tenure on Board:** 3 years 7 months**Independent:** Yes**Committee memberships:** Audit Committee (Chair) Remuneration Committee**Relevant skills, qualifications and experience:**

Julie Southern joined the Board in May 2015 as an Independent Non-Executive Director. Julie is Chair of the Audit Committee and a member of the Remuneration Committee.

Ms Southern has decades of experience as a Chief Financial Officer and Chief Commercial Officer, driving strategy, revenue and commercial planning.

She has worked across multiple industry sectors and sizes of organisation including PwC, WH Smith, Porsche Cars and Virgin Atlantic. Julie is a Chartered Accountant (ICAEW) and graduate of Cambridge University (Economics B.S.)

**Principal external appointments:** Non-Executive Director and Chair of the Audit Committee at Rentokil-Initial Plc since 2014, a Non-Executive Director and Chair of the Audit Committee at DFS Furniture Plc since 2015 (due to step down on 31 March 2019), a Non-Executive Director and Chair of the Audit Committee at NXP Semiconductors N.V. since 2013, Non-Executive Director, Ocado Group plc; and Non-Executive Director, EasyJet plc.



# LEADERSHIP

## APPLICATION OF CODE PRINCIPLES

The information below explains how the Company has applied the main principles of the Code. The information required to be disclosed by Disclosure Guidance and Transparency Rule 7.2.6 is set out in the Directors' Report on pages 67 to 72 and is incorporated into this statement by reference.

## A LEADERSHIP

### A.1 THE ROLE OF THE BOARD

The Board met formally seven times during the year (including a strategy session) and held other meetings on an ad hoc basis as required. There is a clear schedule of matters reserved for the Board, together with delegated authorities throughout the Group.

### A.2 DIVISION OF RESPONSIBILITIES

The roles of the Chairman and Chief Executive Officer are clearly defined. The Chairman is responsible for the leadership and effectiveness of the Board and for overseeing the Board's setting of strategy. The Chief Executive Officer is responsible for leading the day-to-day management of the Group and the implementation of the strategy.

### A.3 THE CHAIRMAN

The Chairman sets the agendas for the meetings, manages the meeting timetable (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during the meetings.

### A.4 THE ROLE OF THE NON-EXECUTIVE DIRECTORS

The Chairman promotes an open and constructive environment in Board meetings and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to management and meet during the year in the absence of the Executive Directors.

## B EFFECTIVENESS

### B.1 THE COMPOSITION OF THE BOARD

The Nomination Committee is responsible for regularly reviewing the composition of the Board. In making appointments to the Board, the Nomination Committee considers the wide range of skills, knowledge, independence and experience required to maintain an effective Board.

### B.2 APPOINTMENTS TO THE BOARD

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on page 46.

### B.3 TIME COMMITMENT

On appointment, Directors are notified of the time commitment expected from them and details are set out in their letters of appointment. External directorships of Executive Directors, which may impact existing time commitments, are discussed and cleared by the Chairman.

### B.4 DEVELOPMENT

All Directors receive induction training on joining the Board and, as part of the annual effectiveness evaluation, the development needs of each Director are checked.

### B.5 INFORMATION AND SUPPORT

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

## B.6 BOARD AND COMMITTEE PERFORMANCE EVALUATION

The Board and its Committees have this year undertaken an internal evaluation of their respective performances. Details of the evaluation can be found on page 43.

## B.7 RE-ELECTION OF DIRECTORS

All Directors are subject to shareholder election or re-election at the AGM.

## C ACCOUNTABILITY

### C.1 FINANCIAL AND BUSINESS REPORTING

The Strategic Report is set out on pages 1 to 35 and provides information about the performance of the Group, the business model, strategy and principal risks and uncertainties relating to the Group's future prospects.

### C.2 RISK MANAGEMENT AND INTERNAL CONTROL

The Board decides the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on page 51.

### C.3 AUDIT COMMITTEE AND AUDITORS

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal control and Risk Management Framework, the work undertaken by the External Auditor, and the internal audit work of the Risk and Assurance team. The Chair of the Audit Committee provides regular updates to the Board.

## D REMUNERATION

### D.1 LEVEL AND COMPONENTS OF REMUNERATION

The Remuneration Committee sets levels of remuneration appropriately with a view to ensuring the long-term success of the Company, and structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interests with those of the shareholders. Benchmarking exercises are carried out as appropriate by external advisors to ensure remuneration levels are appropriate.

### D.2 PROCEDURE FOR DEVELOPMENT OF REMUNERATION POLICY AND SETTING REMUNERATION PACKAGES

Details of the work of the Remuneration Committee and the approach to setting the remuneration policy and packages can be found in the Directors' Remuneration Report on pages 55 to 66.

## E RELATIONSHIPS WITH SHAREHOLDERS

### E.1 SHAREHOLDER ENGAGEMENT AND DIALOGUE

The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and the Chairman ensures that the Board is kept informed of shareholder views.

### E.2 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

The AGM provides the Board with an important opportunity to meet with shareholders, who are invited to meet the members of the Board informally following the formal business of the meeting.

## MEMBERSHIP OF THE AUDIT, NOMINATION AND REMUNERATION COMMITTEES

Membership of the Audit, Nomination and Remuneration Committees remained the same throughout the financial year, and was as follows:

|                        | Chair          | Member              | Member          |
|------------------------|----------------|---------------------|-----------------|
| Audit Committee        | Julie Southern | Alicja Kornasiewicz | Dean Moore      |
| Nomination Committee   | Rick Senat     | Scott Rosenblum     | Arni Samuelsson |
| Remuneration Committee | Dean Moore     | Rick Senat          | Julie Southern  |

All the Committees remained compliant with the Code as regards their membership during the year. Julie Southern will not be seeking re-election at the AGM in May 2019 and will step down at that point. It is planned that Dean Moore will become Chair of the Audit Committee, and Alicja Kornasiewicz will become Chair of the Remuneration Committee, following Julie's departure.

## THE BOARD

The Group is ultimately controlled by the Board of Directors of the Company. The Board is responsible for the overall leadership of the Group and for determining its long-term objectives and commercial strategy to create and deliver strong and sustainable financial performance to enhance shareholder value. In fulfilling its role, the Board ensures that necessary financial and other resources are available to enable the Group's objectives to be met. The basis on which the Board seeks to preserve value over the longer term and the strategy for delivering the objectives is set out in the Strategic Report on pages 1 to 35.

The Board meets regularly in the year for its scheduled meetings and also annually for a strategy session. Ad hoc meetings of the Board take place as required. The meetings follow a formal agenda, which includes matters specifically reserved for decision by the Board. The Board also meets, as and when necessary, to discuss and approve, if appropriate, specific issues. All Directors receive notice of such meetings and are given the opportunity to comment on the issues being discussed if they are unable to attend the meeting.

A schedule of matters specifically reserved for decision by the Board has been agreed and adopted. These matters include: setting Group strategy; approving an annual budget and medium-term forecasts; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; approval of site selection; succession planning; approving appointments to the Board and of the Company Secretary and approving policies relating to Directors' remuneration and contracts.

The Board is supplied on a monthly basis with detailed management accounts and an overview of Group financial and operational information. Regular briefings by the Executive Management Team are given to the Board, to deepen the collective understanding of the business, leading in turn to more effective debate.

## GOVERNANCE FRAMEWORK

### THE BOARD

Implementation of the Group's long-term strategy

### Audit Committee

The Committee assists the Board in discharging its responsibility with regard to financial reporting, the control environment, the work of the External and Internal Auditors, and the Risk and Assurance Team.

Chair: **Julie Southern**

 Audit Committee Report  
page 50

### Nomination Committee

The Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors.

Chair: **Rick Senat**

 Nomination Committee Report  
page 46

### Remuneration Committee

The Committee makes recommendations to the Board for approval of the Group's broad policy for the remuneration of the Chairman, the Executive Directors, the Company Secretary and Senior Management, and for the design of performance related pay schemes and long-term incentive plans.

Chair: **Dean Moore**

 Remuneration Committee Report  
page 55

## LEADERSHIP CONTINUED

### THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of Chairman and Chief Executive Officer are separate. The division of responsibility between the Chairman of the Board, Anthony Bloom, and the Chief Executive Officer, Moshe Greidinger, is clearly defined in writing. Further details of the respective responsibilities are set out below.

### BOARD COMMITTEES

In accordance with best practice, the Board has appointed three Committees, an Audit Committee, a Nomination Committee, and a Remuneration Committee, to which certain Board functions have been delegated. Each of these Committees has formal written terms of reference which clearly define their responsibilities. The terms of reference of each of the Board's three Committees are available on the Company's website ([www.cineworldplc.com/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)).

### ROLES AND RESPONSIBILITIES OF THE DIRECTORS

| ROLE                               | NAME   | RESPONSIBILITY   |
|------------------------------------|--|--|
| <b>CHAIRMAN</b>                    | Anthony Bloom  | The Chairman, together with the Chief Executive Officer, leads the Board in determination of its strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders. He is responsible for organising the business of the Board, ensuring its effectiveness, and setting its agenda. The Chairman also facilitates the effective contribution of Non-Executive Directors and oversees the performance evaluation of the Board and when appropriate, discusses matters with the Non-Executive Directors without the Executive Directors being present. |
| <b>CHIEF EXECUTIVE OFFICER</b>     | Moshe (Mooky) Greidinger   | The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. He holds regular meetings with his Executive Management Team.   |
| <b>NON-EXECUTIVE DIRECTORS</b>     | Camela Galano, Alicja Kornasiewicz, Dean Moore, Scott S. Rosenblum, Arni Samuelsson, Eric (Rick) Senat, Julie Southern | The Non-Executive Directors provide objective, rigorous and constructive challenge to Management and meet during the year in the absence of the Executive Directors. They play a key role in reviewing proposals, in particular in respect of strategy.  |
| <b>SENIOR INDEPENDENT DIRECTOR</b> | Eric (Rick) Senat  | The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer, Deputy Chief Executive Officer or Chief Financial Officer has failed to resolve or for which contact is inappropriate.  |
| <b>COMPANY SECRETARY</b>           | Fiona Smith  | The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters, ensuring Board procedures are followed and facilitating the good information flow within the Board and the Board-appointed Committees.  |

### ATTENDANCE AT MEETINGS

The number of scheduled Board meetings and Committee meetings attended by each Director during the year was as follows:

|                                   |                    | Board<br>(including<br>strategy<br>session) | Audit<br>Committee | Remuneration<br>Committee | Nomination<br>Committee |
|-----------------------------------|--------------------|---|--------------------|---------------------------|-------------------------|
| <b>Number of meetings in year</b> |                    | 7   | 5                  | 4                         | 2                       |
|                                   | <b>Independent</b> | <b>Attended</b>                             | <b>Attended</b>    | <b>Attended</b>           | <b>Attended</b>         |
| <b>Directors</b>                  |                    |   |                    |                           |                         |
| Anthony Bloom                     | No                 | 7/7 <sup>(1)</sup>                          | 5/5 <sup>(2)</sup> | 4/4 <sup>(2)</sup>        | 2/2 <sup>(2)</sup>      |
| Nisan Cohen                       | No                 | 6/7   | N/A                | N/A                       | N/A                     |
| Camela Galano                     | Yes                | 3/3 <sup>(3)</sup>                          | N/A                | N/A                       | N/A                     |
| Israel Greidinger                 | No                 | 7/7   | N/A                | N/A                       | N/A                     |
| Moshe Greidinger                  | No                 | 7/7   | N/A                | N/A                       | N/A                     |
| Alicja Kornasiewicz               | Yes                | 7/7   | 5/5                | N/A                       | N/A                     |
| Dean Moore                        | Yes                | 7/7   | 5/5                | 4/4 <sup>(1)</sup>        | N/A                     |
| Scott Rosenblum                   | No                 | 7/7   | N/A                | N/A                       | 2/2                     |
| Arni Samuelsson                   | Yes                | 7/7   | N/A                | N/A                       | 2/2                     |
| Rick Senat                        | Yes                | 6/7   | N/A                | 3/4                       | 2/2 <sup>(1)</sup>      |
| Julie Southern                    | Yes                | 7/7   | 5/5 <sup>(1)</sup> | 4/4                       | N/A                     |
| Renana Teperberg                  | No                 | 3/3 <sup>(3)</sup>                          | N/A                | N/A                       | N/A                     |

(1) Chair of Board/Board Committee.

(2) Anthony Bloom, the Chairman of the Company, attended these meetings by invitation.

(3) Camela Galano and Renana Teperberg were appointed as Directors on 19 July 2018. Between 19 July 2018 and the year end, there were only three Board meetings, so they attended the maximum number of Board meetings possible.



**DIRECTORS AND DIRECTORS' INDEPENDENCE**

At the start of the year, the Board was composed of ten members, five of whom were considered independent. On 19 July 2018, Camela Galano was appointed to the Board as an Independent Non-Executive Director and Renana Teperberg, the Company's Chief Commercial Officer, was appointed to the Board as an Executive Director. At the end of the year, the Board was therefore composed of twelve members, six of whom are considered independent.

For a FTSE 350 company, the Code recommends that at least half the Board of Directors (excluding the Chairman) should comprise non-executive directors determined by the Board to be independent. The Board considers that Camela Galano, Alicja Kornasiewicz, Dean Moore, Arni Samuelsson, Rick Senat and Julie Southern were, for the year (or the portion of the year for which they served as Non-Executive Directors), Independent Non-Executive Directors.

The Board is satisfied that Dean Moore meets the requisite criteria to be considered independent, notwithstanding his previous interim employment within the Group, given the nature of the role he performed in the ten month period from March 2016, where his mandate was to focus on the Chief Financial Officer succession planning process.

Scott Rosenblum is not viewed as independent because of his previous business dealings with the Greidinger family and its interests, and as he is the Global City Theatres B.V. appointee under the Relationship Agreement as described on page 68 of the Directors' Report.

The names of the Directors at the year end, together with their biographical details, are set out on pages 38 to 39.

The terms and conditions of appointment of the Non-Executive Directors are set out in letters of appointment and are made available for inspection by any person at the Company's registered office during normal business hours, and will be available at the AGM. Further details of the letters of appointment of the Non-Executive Directors and the service contracts of the Executive Directors can be found in the Directors' Remuneration Policy (as published in the 2017 Annual Report available on the Company's website).

The Independent Non-Executive Directors bring an objective viewpoint and range of experience to the Group and ensure that no individual or group of individuals is able to dominate the Board's decision-making. They play a key role in reviewing proposals and providing constructive challenge generally and in particular in respect of strategy. They also ensure that appropriate standards are maintained. All the Non-Executive Directors have access to independent legal advice subject to consulting with the Board and following the agreed procedure.

**PERFORMANCE EVALUATION**

Towards the end of the year, a performance evaluation was carried out in respect of the Board, the Audit, Remuneration and Nomination Committees and each individual Director, including the Chairman. As an external facilitator had been engaged for the 2016 performance evaluation, the Board decided to carry out the exercise without external assistance in 2018. The process adopted involved the completion of assessment questionnaires by each of the Directors and Committee members. The results were then collated by the Company Secretary, and a summary presented to the relevant Committee and the Board. The process was constructive and confirmed that the Board and its Committees are operating effectively.

**ELECTION AND RE-ELECTION**

All the Directors will be retiring and will be offering themselves for re-election at this year's AGM, apart from Julie Southern who will not be seeking re-election and who will stand down at the conclusion of the AGM. Directors appointed since the last AGM will be offering themselves for election. Biographical details of all the current Directors are set out on pages 38 and 39. In view of the performance evaluation, the Board is satisfied that each Director standing for election or re-election continues to show the necessary commitment and continues to be an effective member of the Board due to his or her skills, expertise and business acumen.

**RE-ELECTION OF THE CHAIRMAN**

The Board believes that the re-election of Anthony Bloom as Chairman of the Board is in the best interests of shareholders. Anthony has a comprehensive understanding of the Group's business and operations and played a key role in the Company's combination with Cinema City in 2014 and, more recently, the acquisition of Regal. He also brings to the role extensive board-level and chairman experience in a range of companies, sectors and jurisdictions. As announced on 17 January 2019, Alicja Kornasiewicz has been appointed as Deputy Chair, and will become Chair of the Board at the conclusion of the 2020 AGM, following the planned retirement of Anthony Bloom.

**CHAIRMAN'S COMMITMENTS**

The Chairman performs a limited number of external roles, but the Board is satisfied that these are not such as to interfere with the performance of the Chairman's duties to the Group.

### STAKEHOLDER ENGAGEMENT

The Directors value contact with the Company's institutional and private investors. An Annual Report is sent to all new shareholders and is otherwise made available to shareholders via the Company's website unless they have specifically requested that a copy is sent to them. Presentations are given to shareholders and analysts following the announcement of the interim results and the preliminary announcement of the full year results. Trading updates are typically issued in advance of the full year results and the interim results. Separate announcements of all material events are made as necessary.

In addition to the Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer, who have regular contact with shareholders, the Chairman and Senior Independent Director are available to meet with shareholders as and when required. Additionally, the Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer provide focal points for shareholders' enquiries and dialogue throughout the year. The whole Board is kept up to date at its regular meetings with the views of shareholders and analysts and it receives reports on changes in the Company's share register and market movements.

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the Chairs of the Audit Committee, Remuneration Committee and Nomination Committee are available at the AGM to answer questions, and that all Directors attend.

The Company's website ([www.cineworldplc.com](http://www.cineworldplc.com)) provides an overview of the business. Major Group announcements are available on the website and new announcements are published without delay. All major announcements are approved by the Chairman and Executive Directors and circulated to the Board prior to issue. The Group also has internal and external checks to guard against unauthorised release of information.

### ENGAGING WITH OUR STAKEHOLDERS AND RESPONDING TO THEIR NEEDS

#### EMPLOYEES

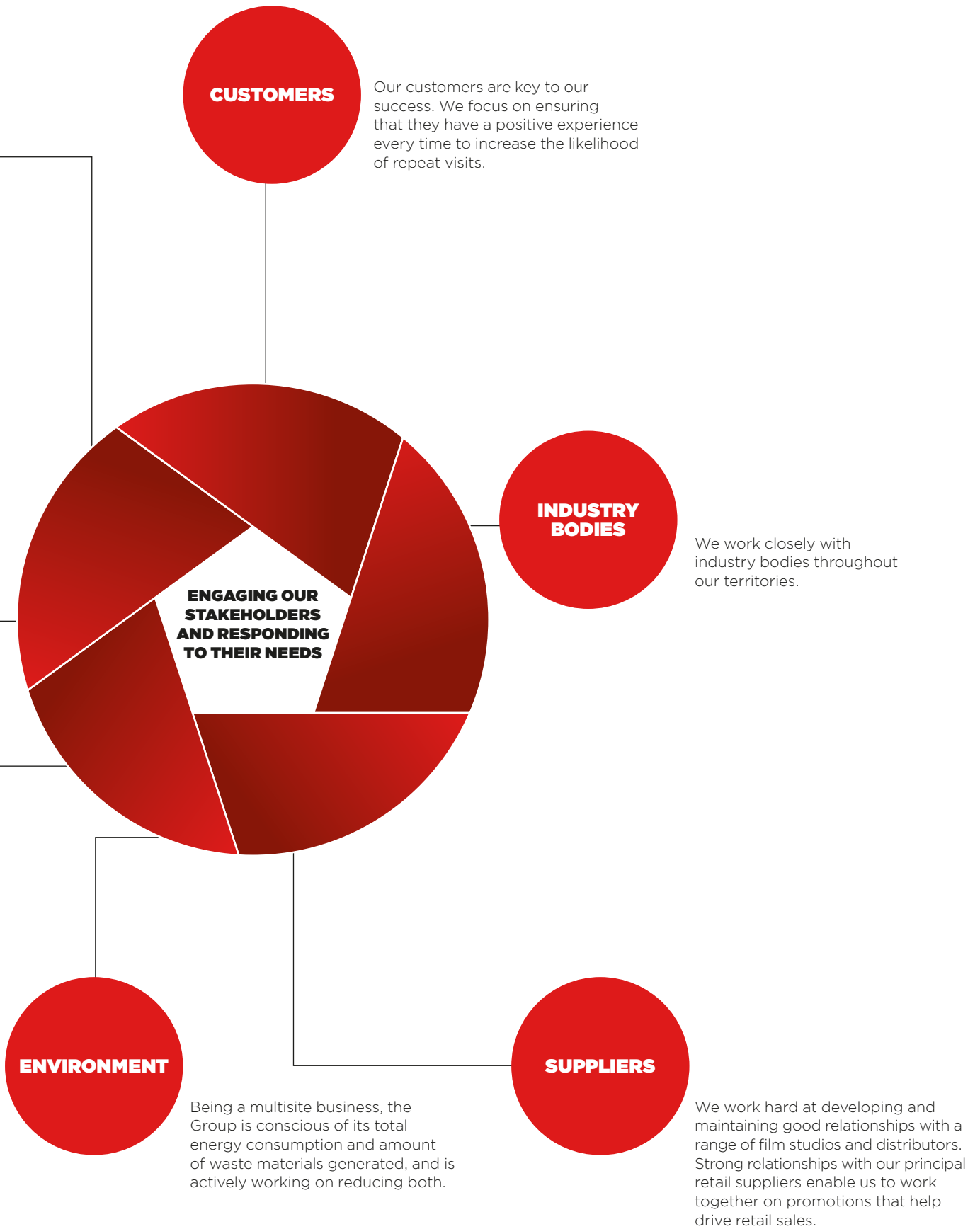
Nurturing talent is a key part of our people strategy and, in support of our growth strategy, we are proud that over the last 12 months more than 50% of cinema management positions were filled by internal applicants.

#### WIDER COMMUNITY

Our work with charities, schools, and community groups across all our territories is very important to us. We are involved with a wide range of activities including working with distributors on charity screenings, providing free shows for organisations and working closely with local schools.

#### SHAREHOLDERS

The Chief Executive Officer, Deputy Chief Executive Officer, and Chief Financial Officer provide focal points for shareholders' enquiries and dialogue throughout the year. The Board uses the AGM to communicate with private and institutional investors.







|   |                                    |
|---|------------------------------------|
| <b>Chair</b>  | Rick Senat                         |
| <b>Committee members</b>  | Scott Rosenblum<br>Arni Samuelsson |
| <b>Number of scheduled meetings held in 2018</b>                | 2                                  |
| <b>The Company Secretary acts as Secretary to the Committee</b> |                                    |

### DEAR SHAREHOLDERS

I am pleased to present our report on the Nomination Committee and its activities during the year.

It has been a busy year for the Committee, involving a number of important developments in the composition of our Board. Finding a successor for the Chairmanship was one of our key tasks and, in January of this year, we announced that Alicja Kornasiewicz has been appointed as Deputy Chair, and will become Chair of the Board at the conclusion of the 2020 AGM, when current Chairman, Anthony Bloom, will be stepping down.

The process was carefully planned and, with the help of external advisors, the Committee thoroughly considered the attributes required for such an important leadership role, especially taking into account the new challenges and changes to the business as it embarks on its next chapter following the Regal acquisition. A number of candidates were interviewed by me, and my fellow Committee members.

**“It has been a busy year for the Committee, involving a number of important developments in the composition of our Board. Finding a successor for the Chairmanship was one of our key tasks.”**

Following the extensive review process, it was decided that Alicja was the outstanding candidate, with an exceptional background, and remarkable business acumen. The Committee wishes Alicja every success going forward, and would also like to acknowledge the exceptional value, dedication, and stewardship of outgoing Chairman, Anthony Bloom.

In addition, in July 2018, we announced the appointment of Camela Galano and Renana Teperberg to the Board as Independent Non-Executive Director and Executive Director respectively. Renana has a long history with the business, and will no doubt lend considerable value and strength to the Board. Camela is an experienced international film executive, with valuable experience and knowledge of the US market.

On 12 March 2019, we announced that Julie Southern will not be seeking re-election at the AGM in May and will step down at that point. Dean Moore will become Chair of the Audit Committee, and Alicja Kornasiewicz will become Chair of the Remuneration Committee, following Julie's departure. Plans for the recruitment of a new Non-Executive Director are under way, a process that will be led by the Nomination Committee.

More details of our diversity policy may be found on page 47, however I am pleased to note that the Company received a positive rating in the 2018 Hampton-Alexander Review, which reviews the pipeline of female talent below Board level.

**Rick Senat**  
**CHAIRMAN OF THE NOMINATION COMMITTEE**

## COMPOSITION

During the year, the Committee comprised three Non-Executive Directors (namely Rick Senat (Chair), Scott Rosenblum, and Arni Samuelsson). While Rick Senat and Arni Samuelsson are considered to be independent, Scott Rosenblum is not. The majority of the Committee are independent as required by the Code.

## THE ROLE, RESPONSIBILITIES AND ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee assists the Board in discharging its responsibilities relating to the composition of the Board. It is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, and the independence of Directors, and it makes appropriate recommendations to the Board on such matters. It is also responsible for ensuring that Directors have sufficient time to discharge their duties on appointment, and thereafter, with such matters being specifically addressed in the letters of appointment of the Non-Executive Directors. The terms of reference of the Committee are available on the Company's website ([www.cineworldplc.com/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)).

The Committee met for two scheduled meetings during the financial year and held a number of additional meetings as required on an ad hoc basis, including in relation to succession planning for the Chairmanship.

Due to the important role that the Directors play in the success of the Group, the Chairman is invited to attend meetings, and does so, except when his own position or his successor is being discussed.

During the year the Committee reviewed its own performance, reviewed the structure of the Board and the three Committees, and discussed succession and diversity issues.

## BOARD DIVERSITY POLICY

While the Committee considers diversity to be important when reviewing the composition of the Board and possible new appointees, it believes that the single most important factor is to identify, recruit and retain the people it considers, on merit, to be the best candidates for each particular role. It is not currently in favour of setting specific targets for Board representation to be achieved by particular dates. As part of the process of recruiting new Directors, it has agreed that candidates from a wide variety of backgrounds, including different ethnic backgrounds, should be considered and, where reasonably possible, shortlists should comprise candidates of different genders.

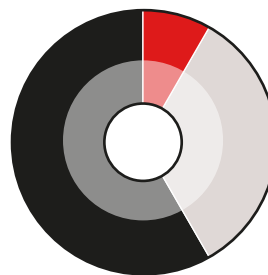
## RECRUITMENT PROCESS FOR BOARD DIRECTORS

It was announced on 19 July 2018 that Renana Teperberg, the Company's Chief Commercial Officer, had been appointed to the Board as an Executive Director. It was also announced that Camela Galano had been appointed to the Board as an Independent Non-Executive Director. With regard to the appointment of Camela, the services of an external search agency were not required, as Camela was nominated by an internal source. This initial nomination was followed by a rigorous and independent interview process, led by the Nomination Committee. With regard to the recruitment process for the Chairmanship, Board advisers AGM Transitions were engaged. AGM Transitions has no connection with the Company, other than the succession planning advice which it has provided to the Company over the past three years.

## THE RIGHT SKILLS AND EXPERIENCE

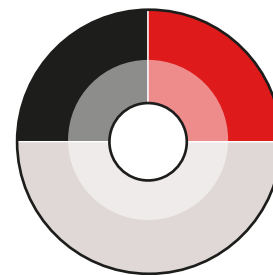
All Directors have a good understanding of the markets, countries, regulatory and risk management frameworks within which the Group operates, as well as the technology it uses. The biographies of the Directors highlight the skills and experience each Director brings to the Board.

Balance of the Board<sup>(1)</sup>



|                         |   |
|-------------------------|---|
| Chairman                | 1 |
| Executive Directors     | 4 |
| Non-Executive Directors | 7 |

Length of tenure of Non-Executive Directors<sup>(1)</sup>



|           |   |
|-----------|---|
| 0-2 years | 2 |
| 3-6 years | 4 |
| 7 years+  | 2 |

(1) As at 31 December 2018.

# ACCOUNTABILITY

## ACCOUNTABILITY, AUDIT AND FINANCIAL

The Board is responsible for the preparation of the Annual Report and ensuring that the financial statements present a fair, balanced and understandable assessment of the Group's financial position and prospects. The detailed work to ensure this, and to substantiate the fair, balanced and understandable statement, is undertaken by the Audit Committee.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management and internal control. These systems provide reasonable assurance that the Group's assets are safeguarded and that material financial errors and irregularities are prevented or detected with a minimum of delay. The Group approach is implemented using the principles of the Three Lines of Defence model, as illustrated in the diagram below.

During the year, the Board has directly, and through delegated authority to the Executive Management Team and the Audit Committee, overseen and reviewed the performance and evolution of the approach to risk management and internal control.

The ongoing review and evaluation of risk management and internal control is undertaken by the Risk and Assurance team whose key responsibilities are:

- Risk Management
- Internal Audit
- Fraud Detection and Loss Prevention
- Insurance

The Board confirms that, in accordance with the Code:

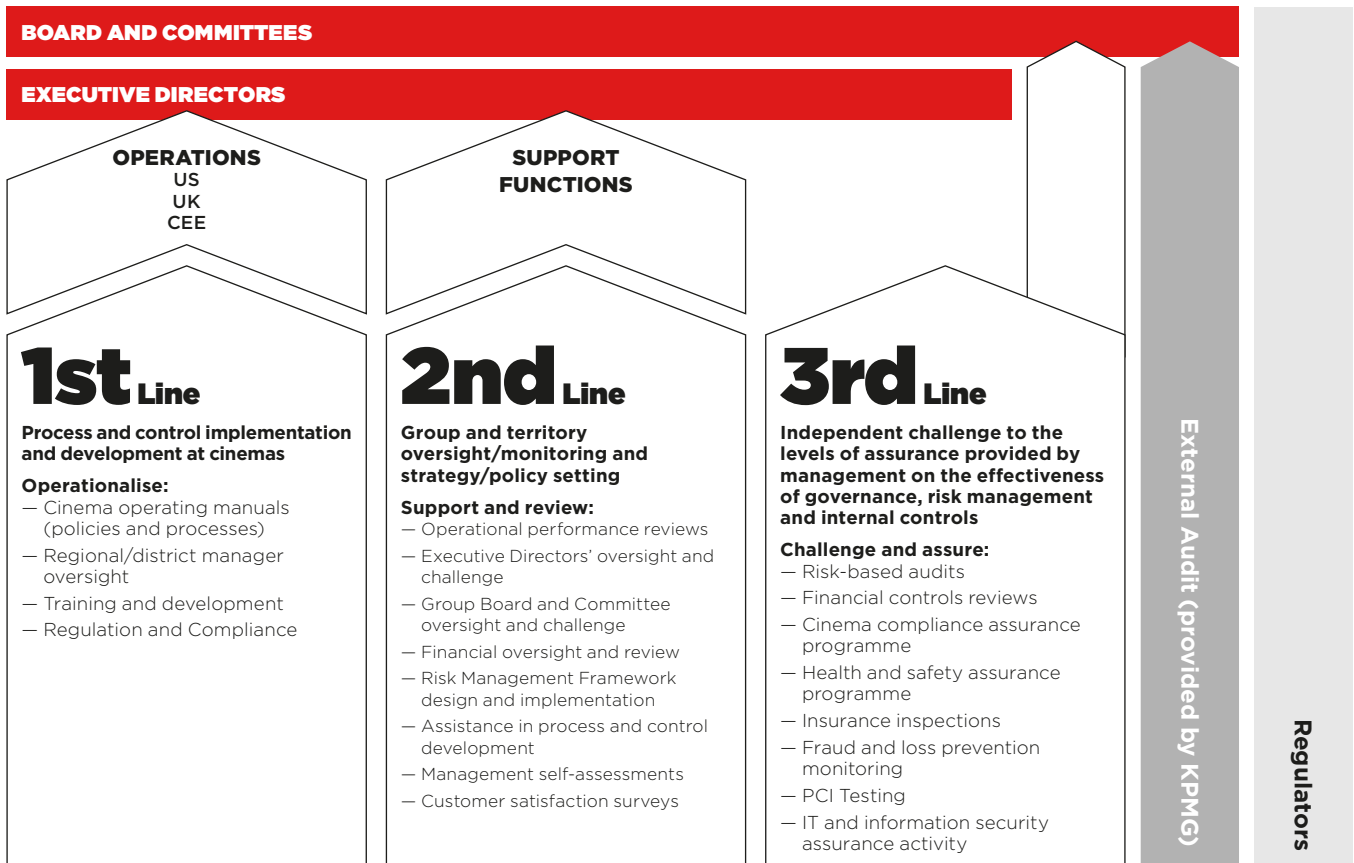
- there is an ongoing and robust process for identifying, evaluating and managing the principal risks faced by the Group (for more details please see Principal Risks and Uncertainties on pages 22 to 27);
- the Company's systems of risk management and internal control have been in place for the year under review, are regularly reviewed by the Executive Directors and the Board, and are deemed to be effective with no significant weaknesses identified; and
- the systems comply with the FRC guidance on risk management, internal control and related financial business reporting.

## RISK MANAGEMENT

The Board, supported by the Audit Committee and the Executive Management Team, has overall responsibility for implementing an effective risk management approach. The Group approach is governed by its Risk Management Framework (which has been updated to incorporate the acquisition of Regal) that sets out the policy, oversight structure, accountability and processes for monitoring and reporting of risk within the Group, and facilitates the following objectives for risk management:

- to identify, measure, control and report on business risk that would potentially undermine the achievement of the Group strategic objectives, both strategically and operationally, through appropriate analysis and assessment criteria;
- to better allocate effort and resources for the management of key and emerging risks;
- to drive business improvements and improve intelligence for key decision-making; and
- to support and develop the Company's reputation as a well governed and trusted organisation.

## OUR THREE LINES OF DEFENCE





The application of the key components of the Risk Management Framework have been as follows:

**Oversight structure and accountability** – The risk management oversight and accountability structure (which is in the process of being fully embedded in the US) has ensured that risk consideration is from both a “top-down” and “bottom-up” perspective. The Group maintains a Principal Risk Register as well as operational risk registers for support functions, cinema operations and specific projects.

**Ongoing process** – At each level the risk assessment process is based on five key steps:

1. Risk identification (using cause and effect analysis)
2. Assessment of inherent risk severity
3. Identification of existing controls and assessment of effectiveness
4. Assessment of residual risk severity
5. Development and implementation of risk mitigation

Details of the Group’s principal risks and how they are being managed or mitigated are provided on pages 22 to 27.

As part of this process, risk appetite is considered by the Board annually for each of the principal risks, allowing the Board to clearly set out the nature and extent of the risk the Group is willing to accept, and the level of investment in control in pursuit of the Group’s strategic objectives.

**Escalation, monitoring and reporting** – A clear escalation policy is in place to ensure changes to risk exposure are notified up through the governance structure as required. Risk leads are identified for all risks and have the responsibility for ongoing monitoring of the effectiveness of current controls and the progress against the implementation of further mitigating actions.

There is a cycle of ongoing monitoring and reporting activities in place with risk information being presented to the Board and Audit Committee.

**Culture** – To support embedding the application of the Risk Management Framework into the culture and behaviours of the Group, ongoing training and communication have been delivered by the Risk and Assurance team.

## INTERNAL CONTROL

Whilst the Board has overall responsibility for the Group’s system of internal control and for reviewing its effectiveness, it has delegated responsibility for the operation of the system of internal control to the Executive Management Team. The detailed review of internal control has been delegated to the Audit Committee. Senior Management within each part of the Group are responsible for internal control and risk management within their own area and for ensuring compliance with the Group’s policies and procedures.

The Audit Committee has oversight of the programme of assurance activities to allow for its ongoing review of the effectiveness of internal control. The delivery of this assurance programme is undertaken by the Risk and Assurance team, which is supported by specialist advisors as required.

Details of the activities the Audit Committee during 2018 are set out on pages 50 to 53.

**Internal audit** – The internal audit plan is a combination of Group-wide risk-based reviews (providing assurance over the key controls relied upon for the principal risks), financial controls testing and additional specific reviews requested by management. The Risk and Assurance team has been supported by PwC for the UK and ROW and LBMC for the US to deliver the plan.

**Cinema compliance** – The Cinema Compliance programme has operated across the Group with reviews being undertaken to understand the application of the key controls within the operational procedures in the areas of cash, retail, payroll/HR and operations.

Each cinema in the UK and ROW has been risk assessed based on financial, operational and management information to determine which cinemas would be included in the audit programme for the year. For the US, the Group approach is in the process of being embedded.

Quarterly management reporting of key themes and trends help support the Group to make continued improvements.

In addition to the programme of on-site reviews conducted by the Risk and Assurance team, an annual self-assessment audit is undertaken by each cinema in the UK and ROW.

**Fraud detection and loss prevention** – To support the Group in fraud detection and loss prevention, ongoing analysis of our key data sources is undertaken to swiftly identify any irregular transaction activity that could indicate instances of fraud, loss or failure of procedural compliance. Specialist software to support the analysis is in place in the UK and is in the process of being rolled out across the Group.

**External audit** – The External Auditor provides a supplementary, independent and autonomous perspective on those areas of the internal control system which it assesses in the course of its work. Its findings are reported to the Audit Committee.

**Operational controls** – The Executive Directors, on a day-to-day basis, are involved in reviewing the key operations of the business through their interaction with their Senior Management teams across the Group and their discussions on operational performance and delivery.

**Financial control** – The Group has internal control and risk management arrangements in relation to the Group’s financial reporting processes and the preparation of its consolidated accounts. The arrangements include procedures to ensure the maintenance of records which accurately and fairly reflect transactions, to enable the preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the EU or FRS 101, as appropriate, with reasonable assurance, and that require reported data to be reviewed and reconciled, with appropriate monitoring internally and by the Audit Committee.

Ongoing financial performance is monitored through regular reporting to the Executive Directors and monthly reporting to the Board. Capital investment and all revenue expenditure is regulated by a budgetary process and authorisation levels, with post-investment and period end reviews as required. A comprehensive budgeting system allows managers to submit detailed budgets which are reviewed and amended by the Executive Directors prior to submission to the Board for approval.

**Other assurance activities** – A programme of health and safety/food safety audits (delivered by outsourced providers) takes place in each of the countries.

As a result of the introduction of GDPR in the year, additional assurance activity focused on reviewing the maturity of the Group in the application of the regulation has been undertaken.

In line with our requirements under PCI, an independent security assessor provided a report on our compliance.

**Policies and procedures** – The Group has in place a range of governance related policies which are regularly reviewed and communicated to employees. These include Whistleblowing, Gifts and Hospitality, and Health and Safety. For more details of the Group’s policies see the Resources and Relationships section on pages 28 to 30.



|   |                                   |
|---|-----------------------------------|
| <b>Chair</b>  | Julie Southern                    |
| <b>Committee members</b>  | Alicja Kornasiewicz<br>Dean Moore |
| <b>Number of scheduled meetings held in 2018</b>                | 5                                 |
| <b>The Company Secretary acts as Secretary to the Committee</b> |                                   |

### DEAR SHAREHOLDERS

I am pleased to present this report on the activities of the Audit Committee for 2018.

The Committee has had an important focus this year, following the fundamental changes to the Group flowing from the Regal acquisition. As a Committee, it has been important to refresh our view of our role in the context of the new Group, to fully understand the changes to our areas of responsibility and focus, in particular in relation to internal controls, systems, and risk management.

The existing structural strength of the assurance framework and risk management systems, involving the Group Finance Team, the Risk and Assurance Team, the external auditor, and the supporting Management teams across the Group's territories, meant that we were well-positioned to expand processes and procedures to cover the new US element of the business. Indeed, the strength of the Group team and the ability of the UK and US teams to work productively together was demonstrated by the successful extension of the existing US Enterprise Resource Planning (ERP) system across the UK business, a substantial project that completed in the early part of 2019.

In order to continue the evolution in our approach to Internal Audit, towards the end of 2018 we undertook a tender exercise to find a partner to support the Risk and Assurance Team in the delivery of internal audit plans for the coming three years. As a result of the exercise, the Group has decided to appoint BDO as our Internal Audit supplier, working with the Team to ensure the Audit Committee receives the requisite assurance on the effectiveness of risk management and internal control within the business.

**“The Committee has had an important focus this year, following the fundamental changes to the Group flowing from the Regal acquisition.”**

As is further described in the Accountability section on pages 48 to 49, a significant amount of work has been dedicated to embedding Group processes and procedures across Regal, in addition to our ongoing review work to ensure our systems of risk management and internal control remain sufficiently robust.

Following on from the review work carried out by the Committee in respect of the acquisition itself, we spent a significant amount of time in 2018 reviewing the work of the External Auditor and Management on acquisition accounting. Indeed, a number of the work-streams emanating from the work on acquisition accounting directly link with the Committee's consideration of areas of significant risk in relation to the financial statements, and the development of our understanding of how these would be addressed. More information on how we considered and assessed these areas is set out on pages 52 to 53.

In addition, we have spent time preparing for the implementation of new accounting standards, in particular IFRS 16, and monitoring the preparatory work being carried out by the Management team in this regard. Further details may be found on page 98. The Committee will continue to monitor this project, to ensure a smooth transition to the new rules.

Lastly, on 12 March 2019, it was announced that I will be stepping down as a Board Director and Chair of the Audit Committee at the conclusion of the AGM in May 2019. Dean Moore, who is currently a member of the Committee, will become Chair of the Audit Committee when I step down. I wish Dean and the Committee every success for the future.

**Julie Southern**  
**CHAIR OF THE AUDIT COMMITTEE**

## COMPOSITION

For the duration of the year, the Committee comprised three Independent Non-Executive Directors, namely Julie Southern (Chair), Alicja Kornasiewicz, and Dean Moore. Both Julie and Dean are Chartered Accountants, and are considered by the Board to have recent and relevant financial experience. The Committee as a whole is considered to have competence relevant to the sector in which the Company operates.

As announced on 12 March, Julie Southern will not be seeking re-election at the 2019 AGM, and will step down at the conclusion of the meeting. It is planned that Dean Moore will become Chair of the Audit Committee following Julie's departure.

The Chairman, the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, other Directors and Senior Executives, the Head of Risk and Assurance, the Internal Auditor and the External Auditor may be invited to attend meetings, but are not members.

## THE ROLE, RESPONSIBILITIES AND ACTIVITIES OF THE AUDIT COMMITTEE

The Committee has a clear set of responsibilities that are set out in its terms of reference, which are available on the Company's website ([www.cineworldplc.com/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)). The Committee assists the Board in discharging its responsibilities with regard to financial reporting, the control environment, the work of the External and Internal Auditors, and the Risk and Assurance team, including:

- monitoring the financial reporting process;
- reviewing the integrity of the Annual and Interim Reports, including reviewing significant financial judgements therein;
- reviewing the Group's risk assessment process, the output of that assessment and the associated risk management systems;
- reviewing the effectiveness of the Group's internal controls;
- considering the scope of the Internal and External Auditors' activities, and the work of the Risk and Assurance team, their reports and their effectiveness;
- reviewing and monitoring the extent of the non-audit work undertaken by the External Auditor; and
- advising on the appointment of the External Auditor.

The ultimate responsibility for reviewing and approving the Annual and Interim Reports remains with the Board.

## WHAT THE COMMITTEE DID IN 2018

The Committee met five times during the year, during which time it:

- monitored the financial reporting process and reviewed the interim and annual financial statements (including the preliminary announcement) with particular reference to accounting policies, principal risks and uncertainties, together with significant estimates and financial reporting judgements and the disclosures made therein;
- considered the interim results and the Annual Report and Accounts in the context of the requirement that they are fair, balanced and understandable, by reviewing papers prepared by management with regard to this principle. This included reviewing the documents to ensure that the description of the business agrees with the Committee's own understanding, the risks reflect the issues that concern the Group, the discussion of performance properly reflects the relevant period, and there is a clear link between all the areas of disclosure;

- received and discussed (in the absence of management, where appropriate) reports from the External Auditor in respect of its review of the interim results, the internal audit plan for the year and the results of the annual audit. These reports included the scope for the interim review and annual audit, the approach to be adopted by the External Auditor to evaluate and conclude on key areas of the audit, its assessment of materiality, the terms of engagement and raising awareness to the Committee of the likely impact of future changes to regulation and accounting standards;
- monitored the performance of the Risk and Assurance team (including input from PwC), and reviewed the effectiveness of the Group's internal financial controls together with its broader internal control and Risk Management Framework, to ensure consistent and appropriate financial controls across the Group;
- considered the combined Prospectus and Circular in relation to the acquisition of Regal and, following the completion of the transaction in February 2018, monitored the acquisition accounting work of Management and the External Auditor;
- reviewed the accounting papers provided by management on the upcoming changes to IFRS accounting standards and their potential impact on the Group's financial statements;
- monitored the implementation of the Group's internal audit plan for 2018, including further embedding the Risk Management Framework, the risk-based assurance plan for the financial control environment, and the Group-wide cinema compliance programme;
- reviewed the results of non-financial audits (including food hygiene and fire safety) and where applicable agreed enhancements to procedures and reviewed remedial actions;
- made recommendations to the Board with regard to continuing the appointment and remuneration of the External Auditor, oversaw the Group's relations with the External Auditor, determined its independence and monitored the effectiveness of the audit process;
- discussed the requirements for a longer-term viability statement and the related assessment work to enable the Board to make such a statement;
- continued to monitor the ongoing requirements regarding audit tender; and
- reviewed the Committee's terms of reference and carried out a performance evaluation as required by the Code. The results of the evaluation confirmed that the Committee is performing satisfactorily and providing strong support to the Board.

## GOING CONCERN

In recommending the adoption of the going concern basis for preparing the financial statements, the Committee considered the business activities, as well as the Group's principal risks and uncertainties, as set out on pages 22 to 27, the financial position of the Group, its cash flows, liquidity position, and borrowing facilities, as well as the Group's objectives, policies and processes for managing capital, as described on pages 31 to 35 and the financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk as set out in Note 24 to the financial statements.



### VIABILITY

Part of the Committee's work in the year has been to discuss and consider the requirement under the Code for a longer-term viability statement, and the related assessment work needed in order to enable the Directors to make such a statement. The Directors' Viability Statement, together with details of the assessment work, is set out on page 27 (with a summary on page 37, "Board Statements").

### SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

During the year the Committee, management and the External Auditor considered and concluded what the significant risks and issues were in relation to the financial statements and how these would be addressed. In relation to the 2018 Group financial statements, following the acquisition of Regal, additional significant risks have been identified which are outlined as follows:

#### ACQUISITION ACCOUNTING FOR REGAL

On 28 February 2018, the Group completed the acquisition of Regal Entertainment Group by means of an acquisition of the entire issued, and to be issued share capital of Regal.

An exercise to identify and establish the fair value of the total net identifiable assets of the acquired business was undertaken (purchase price allocation "PPA") with the preliminary results presented in the 2018 Interim Report. Given the complex nature of the valuation exercise, and the judgemental nature of assumptions (which were sensitive to change), the fair value assessments were presented on a provisional basis in the Interim Report. This exercise was refined and finalised during the second half of the year. The refinements made impacted the fair value of property, plant and equipment ("PPE") and onerous lease provisions most significantly. The process resulted in a final goodwill recognised of \$4,625.8m.

Full details of the assessed fair values are discussed further in Note 18 to the financial statements. Based on the Committee's enquiries of management and the review of work performed by external valuation experts, the Committee satisfied itself that:

- the fair value of the acquired total net identifiable assets (with particular reference to the identification and valuation of intangible assets, PPE fair value assessments and the accounting for investments) was consistent with the advice received from external experts;
- the fair value exercise was thorough and included all categories of assets and liabilities (including all lease contracts, revenue contracts and provisions);
- management have performed a detailed balance sheet review and are satisfied that the classification of assets and liabilities is correct and that recognition is appropriate; and
- the subjectivity of the valuation process, including the extent of fair value adjustments, was appropriately disclosed in the annual financial statements.

### ACCOUNTING FOR JOINT ARRANGEMENTS

As part of the Regal acquisition the Group acquired a significant share in Digital Cinema Implementation Partners ("DCIP"), a joint arrangement with other US exhibitors set up to collect and administrate Virtual Print Fee ("VPF") income received from studios to compensate exhibitors for their investment in digital projection equipment. Through a long term leasing arrangement with DCIP, the exhibitors retain control over the projection equipment it has acquired. In addition, the Group determined that under the terms of the leasing arrangements and the associated minimum rental charges expected to be made, it has a joint obligation for the debt taken out by DCIP to finance the acquisition of the projection equipment.

Under the requirements of IFRS 11 "Joint Arrangements" management had to assess whether the joint arrangement agreement in relation DCIP should be accounted for as a joint venture or as a joint operation. Management prepared an analysis of the DCIP arrangement against IFRS 11 which was presented to the Committee. Based on the Committee's review and discussions with management and the external auditors we concurred that, with joint control over the material assets and liabilities of DCIP, it should be classified as a joint operation. Further details of this arrangement can be found in Note 13 to the Financial Statements.

The Group also acquired the National Cinema Media ("NCM") joint arrangement as part of the Regal acquisition. Within the NCM arrangement the advertising contract requires an estimate in respect of its fair value to the Group. In estimating the fair value management have made a number of key assumptions, being the fair value of advertising revenue per attendance and the level of attendance over the contract period. Management have presented their methodology, assumptions and rationale to the Committee. The Committee has satisfied itself that the approach applied was appropriate, the assumptions reasonable and adequate disclosure around the valuation has been provided in the financial statements, including sensitivity analysis. Further details can be found in Note 12 to the Financial Statements.

### VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As detailed in Note 10 to the financial statements, there is a significant inherent risk that elements of the Group's considerable PPE balances may prove to be irrecoverable, due to fluctuations in the underlying performance of cinemas or one-off events. Given the number of factors involved in predicting the performance of cinema sites operated by the Group, in multiple countries, this gives rise to an element of judgement being applied to the potential level of impairments to be recognised on a cash generating unit ("CGU") basis, predominantly at cinema site level.

At each Balance Sheet date, management prepares an assessment which estimates the value in use of the CGUs to which the tangible fixed assets are allocated. Where individual sites' cash flows are not considered independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single CGU.

The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The main assumptions over growth rates, the impact of one-off events, expected cost increases and discount rates are updated to reflect management's best estimate. When considering the appropriateness of the discount rate, management assess the territory specific discount rates, and ensure that they are updated for current market information and the Group's current leverage.

At the year end management prepared their valuation models for the Committee's consideration, together with their proposed site impairments, and drew the Committee's attention to any specific judgements taken within the models, including focusing particularly on one site in Israel with a large carrying value, which is expected to mature over a longer period than most of the Group's sites. Management confirmed to the Committee that they have applied a consistent Group-wide methodology in the preparation of the valuation models. The Committee satisfied itself that the approach was appropriate, the assumptions reasonable and the impairments proposed were complete and accurate. The Committee also satisfied itself through enquiry of management and review of the Board papers that all significant events which may have impacted on the valuation of PPE had been appropriately captured in management's assumptions and reflected in the valuation models and that appropriate disclosures, including in relation to sensitivities, had been included in the financial statements.

### EXTERNAL AUDIT

The Committee reviews the appointment of the External Auditor each year before the cycle of audit commences and in deciding whether to renew the appointment takes note of the quality of the service received, the proposed fees and the Auditor's independence. Management and all members of the Committee are consulted during the process. Further details of these processes are set out below.

### EFFECTIVENESS

During the year, the Committee evaluated the performance and objectivity of KPMG and reviewed its effectiveness as External Auditor. The effectiveness of the 2017 audit was assessed by reference to the following:

- the effectiveness of the lead audit, engagement partner, including the support provided to the Committee;
- the planning and scope of the audit including identification of areas of audit risk and communication of any changes to the plan, and changes in perceived audit risks;
- the quality of communication with the Committee, including the regular reports on accounting matters, governance and control;
- the competence with which the External Auditor handled key accounting and audit judgements and communication of those to management and the Committee;
- KPMG's reputation and standing, including its independence and objectivity and its internal quality procedures; and
- the quality of the formal report to shareholders.

Further, at the conclusion of each year's audit, the Committee discusses the performance of the External Auditor with the Executive Directors and relevant senior finance managers considering areas such as the quality of the audit team, business understanding, audit approach and management. Where appropriate, actions are agreed against points raised and subsequently monitored for progress. There were no significant findings from the evaluation this year.

After taking into account all of the above factors, the Committee concluded that the External Auditor was effective. In addition, the Committee is satisfied that it has sufficient oversight of the External Auditor and its independence and objectivity is not compromised due to the safeguards in place.

### INDEPENDENCE, APPOINTMENT AND TENDER

The Committee last conducted a tender process in February 2016 and, following that process, decided to recommend to the Board that KPMG be reappointed as External Auditor.

The Company will continue to comply with the relevant tendering and auditor rotation requirements applicable under UK and EU regulations, which require the next external audit tender to occur by 2026. In addition, the External Auditor will be required to rotate the audit partner responsible for the Group audit every five years and, as a result, the current lead audit partner will be required to change in 2021. The Committee continues to review the auditor appointment and the need to tender the audit.

The External Auditor is also required to periodically assess whether, in its professional opinion, it is independent and confirm this to the Committee. KPMG has provided this confirmation. In addition, the Company considers it has complied with the Competition and Markets Authority's Statutory Audit Services Order.

### NON-AUDIT SERVICES

The Committee considers the independence of the External Auditor on an ongoing basis and has established policies to consider the appropriateness or otherwise of appointing the External Auditor to perform non-audit services. In particular, under its terms of reference, all non-audit work and the associated fees need to be approved by the Committee if the value of such work is likely to be greater than £30,000.

The only non-audit service subject to Audit Committee approval provided by KPMG to the Group during 2018 related to its review of the Group's interim statement, for which fees of £0.06m were agreed.

The Committee is satisfied that the above work was best undertaken by KPMG and that its objectivity and independence as auditor has not been impaired by reason of this further work. An analysis of audit and non-audit fees may be found in Note 5 to the financial statements.

### INSURANCE

It is not practical or possible to insure against every risk to the fullest extent. The Group has in place an insurance programme to help protect it against certain insurable risks. The portfolio of insurance policies is kept under regular review with the Company's insurance broker to ensure that the policies are appropriate to the Group's activities and exposures taking into account cost, and the likelihood and magnitude of the risks involved.

## REMUNERATION COMMITTEE

### COMPOSITION

For the duration of the year, the Company's Remuneration Committee comprised three independent Non-Executive Directors, namely Dean Moore (Chair), Rick Senat, and Julie Southern. As announced on 12 March 2019, it is planned that Alicja Kornasiewicz will become Chair of the Remuneration Committee at the conclusion of the 2019 AGM. The Committee met for four scheduled meetings during the year and, in addition, held a number of ad hoc meetings to deal with specific issues.

### ROLES AND RESPONSIBILITIES

The activities of the Committee are covered in the Directors' Remuneration Report on pages 55 to 66, and are incorporated into this Corporate Governance Statement by reference.

The Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors, and monitoring and approving the remuneration of Senior Management below Board level.

The Committee appointed PwC as external advisers in September 2017 and took advice from them during the year. PwC has no other connections with Cineworld except the provision internal audit support to the Risk and Assurance Team.

The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence. On appointment as advisors, the Committee reviewed the potential for conflicts of interest and judged that there were no conflicts or potential conflicts arising. The Company receives advice in relation to the Remuneration Policy and its implementation in respect of the Chairman, Executive Directors, Company Secretary and Senior Management.

The terms of engagement with PwC are available on request from the Company Secretary.

The Chief Executive Officer is consulted on the remuneration packages of the other senior executives and attends discussions by invitation except when his own position is being discussed. Given the essential part remuneration plays in the success of the Group, the Chairman of the Board is also invited to attend meetings of the Committee and does so except when his own remuneration is being considered. The Committee does not deal with the fees paid to the Non-Executive Directors. The report of the Remuneration Committee is set out on pages 55 to 66.

The terms of reference of the Committee are available on the Company's website ([www.cineworldplc.com/en/about-us/corporate-governance](http://www.cineworldplc.com/en/about-us/corporate-governance)).

By order of the Board

**Anthony Bloom**  
**CHAIRMAN**

28 March 2019



# SUPPORTING SUSTAINABLE LONG-TERM VALUE CREATION



**“The Group delivered a successful year of trading in 2018... the Remuneration Policy is fundamental to the delivery of the Company’s ongoing strategic objectives and provides key incentives and support for sustainable long-term value creation.”**

## ANNUAL STATEMENT DEAR SHAREHOLDERS

As Chair of Cineworld’s Remuneration Committee (the “Committee”), I am pleased to present our Remuneration Report for the year to 31 December 2018.

## 2018 PERFORMANCE AND REMUNERATION

The Group delivered a successful year of trading in 2018 with total revenue increasing to \$4,119.1m and Adjusted EBITDA up to \$925.4m. The decisions in relation to executive remuneration outcomes made by the Committee were taken in the context of this performance and the successful acquisition of Regal towards the beginning of the year. Annual bonuses for the Executive Directors which, in line with the new Directors’ Remuneration Policy, are based on a matrix of Group Adjusted EBITDA performance against budget, the achievement of stretching individual objectives, and the delivery of synergy benefits as a result of the Regal acquisition, paid out at the level of 91% of the maximum opportunity for each of the Executive Directors. As earnings per share (“EPS”) performance targets for the Performance Share Plan (“PSP”) were reached in full over the three year period 2016–2018, 100% of the awards made in 2016 will vest.

## REMUNERATION POLICY AND STRATEGIC ALIGNMENT OF PAY

As you will recall, we updated our Remuneration Policy at the 2018 AGM, in large part to take account of the newly enlarged Group, which has changed fundamentally not just in scale, but in complexity, owing to the transformative \$5.8 billion acquisition of the Regal Entertainment Group in February 2018. The review of our Policy also took into account developing market practice, and feedback received through a detailed round of consultation and engagement with shareholders.

The Committee has carefully noted and considered the viewpoints of shareholders in respect of the Policy. Reflecting on this, the Committee remains confident, particularly in light of the strong business performance over the last year including delivering in respect of the synergy targets, that the amendments to the Policy were appropriate given the significant increase in size and complexity of the business, and the consequential increase in the responsibilities of the Executive Directors. The Board believes that the Policy is fundamental to the delivery of the Company’s ongoing strategic objectives, and that it provides key support for sustainable long-term value creation for the Group.

An ‘At a Glance’ summary on page 57 sets out the key elements of the Policy, describes how it was implemented in 2018, and illustrates the linkage between strategy, payments to directors, and short and long-term business performance. The full Policy can be viewed on the Company’s website at [www.cineworldplc.com/en/investors/reports-and-presentations/yr-2018](http://www.cineworldplc.com/en/investors/reports-and-presentations/yr-2018). More information regarding application of the Policy in 2018, and the intended implementation in 2019, may be found on pages 57 to 66.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### ACTIVITIES OVER THE YEAR

The Remuneration Committee met for four scheduled meetings during 2018 and its key activities were as follows:

|   | Jan<br>2018 | March<br>2018 | May<br>2018 | November<br>2018 |
|---|-------------|---------------|-------------|------------------|
| <b>Overall remuneration</b>   |             |               |             |                  |
| Considering the remuneration arrangements across the Group  |             | ✓             |             | ✓                |
| Determining the salary increases to be awarded to Executive Directors and Senior Management Team                          |             | ✓             | ✓           |                  |
| <b>Annual bonus</b>   |             |               |             |                  |
| Deciding the targets for the annual bonus scheme  | ✓           | ✓             |             |                  |
| Determining bonus payments to be awarded, including for the wider workforce   |             | ✓             |             | ✓                |
| <b>LTIP</b>   |             |               |             |                  |
| Making awards under the 2017 Long Term Incentive Plan ("LTIP")  |             | ✓             |             |                  |
| Approving vesting of awards under the 2007 Performance Share Plan ("PSP") and the 2010 Company Share Option Plan ("CSOP") |             | ✓             |             |                  |
| Consideration of Rights Issue Adjustments to Share Schemes  |             | ✓             |             |                  |
| <b>Governance</b>   |             |               |             |                  |
| Reviewing the 2018 AGM voting figures and considering the views of shareholders   |             |               | ✓           |                  |
| Review and Update of Committee Terms of Reference   |             |               |             | ✓                |
| Committee Evaluation  |             |               |             | ✓                |
| Review of Directors' Remuneration Report and Policy   | ✓           | ✓             |             |                  |
| Agreeing Forward Looking Agenda   |             |               |             | ✓                |
| Review of Gender Pay reporting outcomes   |             | ✓             |             |                  |
| Consideration of proposed revisions to the UK Corporate Governance Code   |             |               |             | ✓                |

### UK CORPORATE GOVERNANCE CODE

The Committee is currently considering and planning for the requirements of the new UK Corporate Governance Code 2018 (the "Code") which has applied since 1 January 2019, and against which we will report next year. We note our increased duties in respect of the wider workforce and employees at levels below Board level, and are carefully analysing our approach to the revised provisions.

As part of our initial review of the Code requirements in relation to executive remuneration, the Committee has determined that a two year post-vesting holding period will apply to all future LTIP awards to Executive Directors, including those to be made in 2019.

The Committee will also review the LTIP rules to ensure sufficient discretion to override formulaic outcomes is available, and will amend the rules if necessary to achieve this. In addition, the pension contributions for incoming Executive Directors will be set with consideration to the pension provision for the wider workforce, as well as market practice, at that time.

Furthermore, the Committee will consider its policy on post-cessation shareholding requirements over the coming year.

### THIS REPORT

This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the 2016 Code.

It is split into two parts:

- This Annual Statement, together with an "At a Glance" section in respect of the Policy and its implementation; and
- The Annual Report on Remuneration, which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2018 financial year. The Annual Report on Remuneration, together with this Statement, is subject to an advisory shareholder vote at the AGM on 15 May 2019.

The Committee has always aimed to be clear and transparent in matters of remuneration, and we hope that this report continues this approach. Should you have any queries or comments on this report, or more generally in relation to the Company's remuneration, then please do not hesitate to contact me via the Company Secretary.

I hope that you find this report informative, and I look forward to your continued support at the Company's AGM.

**Dean Moore**  
**CHAIR OF THE REMUNERATION COMMITTEE**  
 28 March 2019





## AT A GLANCE

### SUMMARY OF REMUNERATION POLICY













The Directors' Remuneration Policy (the "Policy") was approved by shareholders at the AGM on 16 May 2018 and became effective from that date.

The table below summarises the current Policy, and how this was implemented in 2018. The full Policy is detailed in the 2017 Annual Report, which can be found in the "Investors" section under "Reports and Presentations" on the Company's website.

### OUR STRATEGY

-  Provide the best cinema experience – to give our customers a choice of how to watch a movie, with a variety of retail offerings, all underpinned by the best customer service
-  Expand and enhance our estate – to provide consistent, high quality, modern cinemas
-  Be technological leaders in the industry – to offer the latest audio and visual technology
-  Drive value for shareholders – by delivering our growth plans in an efficient and effective way

| Purpose | Element of reward   |  |  |  |
|---------|---|--|--|--|
|         | Base salary, pension, benefits  | Annual bonus   | LTIP   | Shareholding requirement   |
|         | To provide a core level of remuneration and market competitive benefits to enable the Group to attract and retain skilled, high-calibre executives to deliver its strategy. | To incentivise the annual delivery of financial and operational targets. | To encourage sustainable profitability over a period of time aligned to the overall objective of achieving sustainable growth. | To provide alignment between Executive Directors and shareholders. |

|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Key features of Policy   | Implementation of Policy in 2018  | Link to strategy   |
|--|------|------|------|------|------|------|--|---|--|
| <b>Base salary, pension and other benefits</b> | →    |      |      |      |      |      | <p>Salaries may be adjusted and any increase will ordinarily be in line with those across the Group.</p> <p>Employer pension contribution up to 20% of base salary.</p> <p>Executives may opt out of the Group pension scheme and instead receive a cash pension allowance.</p> <p>Market competitive benefits including provision of a company car or car allowance, private mileage, life insurance, permanent health insurance and private medical insurance.</p> | <p>Salaries for Executive Directors were increased to the following amounts with effect from 28 February 2018:</p> <p>CEO – £630,000</p> <p>Deputy CEO – £505,000</p> <p>CFO – £395,000</p> <p>The CCO was appointed to the Board in July 2018 with a base salary of £395,000.</p> <p>Pension contributions were paid at the levels of 20% to the CEO and the Deputy CEO and 14.8% to the CFO and CCO.</p>  | <br><br><br>         |
| <b>Annual bonus</b>                            | →    |      |      |      |      |      | <p>Maximum opportunity of 150% of salary.</p> <p>Two thirds of the bonus is based on Adjusted EBITDA and personal performance.</p> <p>One third of the bonus is based on performance against strategic targets.</p> <p>Any bonus earned up to 100% of salary will be paid in cash; any bonus earned above 100% of salary will be deferred into shares for a period of two years.</p> <p>Discretion to apply malus provisions.</p>                                    | <p>Maximum opportunity of 150% of salary for the CEO and Deputy CEO and 100% of salary for the CFO and CCO.</p> <p>Two thirds of the bonus is based on a matrix of Adjusted EBITDA targets and individual strategic objectives, with none of this element payable if a minimum of 90% of budgeted Adjusted EBITDA is not achieved. All of this element is payable if 110% of budgeted Adjusted EBITDA and exceptional performance is achieved.</p> <p>For FY18 and FY19 the strategic targets are based on the delivery of synergy benefits as a result of the Regal acquisition.</p> | <br><br><br> |
| <b>LTIP</b>                                    | →    |      |      |      |      |      | <p>Normal maximum opportunity equal to 200% of base salary.</p> <p>Vesting subject to EPS growth performance over a three year performance period and reviewed annually to ensure the targets are sufficiently stretching in light of both internal and external performance expectations.</p> <p>Clawback provisions apply.</p>   | <p>Vesting linked to EPS growth performance.</p> <p>25% of the award will vest at threshold performance.</p> <p>100% of the award will vest at stretch performance.</p> <p>On vesting, participants will receive dividend equivalents in the form of additional shares or a cash sum.</p>   | <br>   |
| <b>Shareholding requirements</b>               | →    |      |      |      |      |      | <p>Each Executive Director is expected to build up a shareholding equal to 150% of their base salary.</p>  | <p>Executive Directors are expected to retain 50% of any shares they acquire under the PSP or LTIP or on exercise of options until such a holding has been built up.</p>  |   |
| <b>Cineworld Group Sharesave Scheme</b>        | →    |      |      |      |      |      | <p>Maximum level is consistent for Executives and staff and is in line with the limit under legislation (currently £500 per month).</p>  | <p>No Executive Directors have participated in the Sharesave Scheme. Under the Scheme, employees are eligible to acquire Cineworld shares at a discount of up to 20% of the market value at grant if they enter into a three year savings contract.</p>   |   |

### Malus and clawback

The Remuneration Committee reserves the discretion to apply malus and clawback provisions in circumstances of misconduct or misstatement of financial results. The malus provision applies to annual bonus awards, while clawback applies to both annual bonus awards for a period of two years post-vesting.

### Consideration of wider employee pay

Whilst the Company does not formally consult employees in relation to the Remuneration Policy, thorough consideration is given to the wider workforce when setting executive pay and ensuring appropriate alignment with executives.

### ANNUAL REPORT ON REMUNERATION THE REMUNERATION COMMITTEE AND ITS ROLE

The Company's Remuneration Committee comprises Dean Moore, Julie Southern and Rick Senat, who are all considered to be independent. The Chair of the Committee is Dean Moore. Alicja Kornasiewicz will join the Committee as Chair from the date of the AGM.

The Committee's principal responsibilities are to:

- make recommendations to the Board for approval of the Group's broad policy for the remuneration of the Chairman, the Executive Directors, the Company Secretary, and Senior Management;
- determine the specific remuneration packages of the Chairman, the Executive Directors, the Company Secretary and Senior Management;
- approve the terms of the service agreements of the Executive Directors, the Company Secretary and Senior Management; and
- approve the design of, and determine the targets for, any performance related pay schemes and LTIPs.

The full terms of reference of the Committee are available on the Company's website ([www.cineworldplc.com-about-us/en/corporate-governance](http://www.cineworldplc.com-about-us/en/corporate-governance)). The terms are reviewed annually.

The Committee met for four scheduled meetings during the period and details of the members' attendance record is set out on page 42. In addition to the four scheduled meetings, the Committee met for a number of ad hoc meetings.

### REMUNERATION COMMITTEE ADVISORS

The Company continued to receive advice from PwC during the year in relation to the Remuneration Policy and its implementation in respect of the Chairman, Executive Directors, Company Secretary and Senior Management. PwC was appointed by the Remuneration Committee in September 2017 following a competitive selection process. The terms of engagement are available on request from the Company Secretary. PwC attended four scheduled meetings during the year at the request of the Committee. PwC's fees for advice to the Committee were £84,200.

As founder members of the Remuneration Consultants Group, PwC operates under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. Additionally as a member firm of the ICAEW, PwC complies with the ICAEW's ethical guidelines. As a result, PwC operates under rigorous rules on independence, compliance and quality assurance.

PwC has no other connections with Cineworld except in respect of internal audit support provided to the Company's Risk and Assurance Team. The Committee is satisfied that the advice provided by PwC is objective and independent, and is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence. On appointment as advisors, the Committee reviewed the potential for conflicts of interest and judged that there were no conflicts or potential conflicts arising.

The Committee also received assistance from the Chairman of the Company (Anthony Bloom), the Chief Executive Officer (Moshe Greidinger), the Deputy Chief Executive Officer (Israel Greidinger), the Chief Financial Officer (Nisan Cohen), the Senior Vice President of Human Resources (Tara Rooney) and the Company Secretary (Fiona Smith), although they did not participate in discussions relating to the setting of their own remuneration. The Committee also consulted with the Chief Executive Officer and received recommendations from him in respect of changes to remuneration packages for Senior Management.

### BOARD CHANGES IN 2018

Renana Teperberg and Camela Galano were appointed to the Board on 19 July 2018. Renana Teperberg was appointed as an Executive Director and is the Chief Commercial Officer of the Company. Camela Galano was appointed as an Independent Non-Executive Director.



## REMUNERATION FOR 2018

This section covers the reporting period from 1 January 2018 to 31 December 2018 and provides details of the implementation of the Company's Remuneration Policy during the period.

### Single Total Figure Table (audited information)

The table below gives a single figure for the total remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2018 financial year. Comparative figures for the 2017 financial year have also been provided.

|                                 | Financial year | Base salary and fees<br>£000 | Benefits <sup>(1)</sup><br>£000 | Annual Bonus<br>£000 | PSP<br>£000          | Pension<br>£000 | Total<br>£000 |
|---------------------------------|----------------|------------------------------|---------------------------------|----------------------|----------------------|-----------------|---------------|
| <b>Executive Directors</b>      |                |                              |                                 |                      |                      |                 |               |
| Moshe Greidinger                | 2018           | 621                          | 58                              | 861                  | 1,092 <sup>(2)</sup> | 124             | 2,756         |
|                                 | 2017           | 571                          | 78                              | 448                  | 1,135 <sup>(2)</sup> | 114             | 2,346         |
| Israel Greidinger               | 2018           | 486                          | 78                              | 690                  | 745 <sup>(2)</sup>   | 97              | 2,096         |
|                                 | 2017           | 389                          | 84                              | 306                  | 774 <sup>(2)</sup>   | 78              | 1,631         |
| Nisan Cohen <sup>(3)</sup>      | 2018           | 378                          | 5                               | 360                  | 54 <sup>(2)</sup>    | 56              | 853           |
|                                 | 2017           | 281                          | 43                              | 129                  | 22 <sup>(2)</sup>    | 42              | 517           |
| Renana Teperberg <sup>(4)</sup> | 2018           | 179                          | 2                               | 163                  | 57 <sup>(2)</sup>    | 26              | 427           |
|                                 | 2017           | -                            | -                               | -                    | -                    | -               | -             |
| <b>Non-Executive Directors</b>  |                |                              |                                 |                      |                      |                 |               |
| Anthony Bloom                   | 2018           | 182                          | -                               | -                    | -                    | -               | 182           |
|                                 | 2017           | 175                          | -                               | -                    | -                    | -               | 175           |
| Dean Moore <sup>(3)</sup>       | 2018           | 72                           | -                               | -                    | -                    | -               | 72            |
|                                 | 2017           | 58                           | -                               | -                    | -                    | -               | 58            |
| Alicja Kornasiewicz             | 2018           | 52                           | -                               | -                    | -                    | -               | 52            |
|                                 | 2017           | 50                           | -                               | -                    | -                    | -               | 50            |
| Martina King <sup>(6)</sup>     | 2018           | -                            | -                               | -                    | -                    | -               | -             |
|                                 | 2017           | 2                            | -                               | -                    | -                    | -               | 2             |
| Scott Rosenblum                 | 2018           | 52                           | -                               | -                    | -                    | -               | 52            |
|                                 | 2017           | 50                           | -                               | -                    | -                    | -               | 50            |
| Arni Samuelsson                 | 2018           | 52                           | -                               | -                    | -                    | -               | 52            |
|                                 | 2017           | 50                           | -                               | -                    | -                    | -               | 50            |
| Rick Senat                      | 2018           | 67                           | -                               | -                    | -                    | -               | 67            |
|                                 | 2017           | 65                           | -                               | -                    | -                    | -               | 65            |
| Julie Southern                  | 2018           | 72                           | -                               | -                    | -                    | -               | 72            |
|                                 | 2017           | 70                           | -                               | -                    | -                    | -               | 70            |
| Camela Galano <sup>(4)</sup>    | 2018           | 26                           | -                               | -                    | -                    | -               | 26            |
|                                 | 2017           | -                            | -                               | -                    | -                    | -               | -             |

Notes:

- (1) See page 60 for details of the other benefits provided to the Executive Directors.
- (2) The value of PSP shares vesting in respect of the period has been calculated using a share price of £2.824 being the average price for the last three months of the period (as the PSP will not vest until 18 April 2019, and includes payment of a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting. Currently, the dividend equivalent payment to Moshe Greidinger would amount to £86,941, the dividend equivalent payment to Israel Greidinger would amount to £59,277, the dividend equivalent payment to Nisan Cohen would amount to £4,331, and the dividend equivalent payment to Renana Teperberg would amount to £4,552. Further details of these awards are set out on page 65.
- (3) Nisan Cohen and Dean Moore were appointed to the Board on 11 January 2017.
- (4) Renana Teperberg and Camela Galano were appointed to the Board on 19 July 2018. Figures for Renana Teperberg's remuneration in the table above in respect of salary, benefits, pension, and bonus have been pro-rated to reflect the portion of the year for which Renana was a Director. The figure for the value of the PSP shares vesting has not been pro-rated.
- (5) Fees for Non-Executive Directors in 2017 were paid as outlined in last year's Directors' Remuneration Report. However, the total fees paid to Non-Executive Directors for 2015 - 17 exceeded the limit in the Articles of Association at that time. As a result, a portion of Non-Executive Director fees were waived in 2018 to offset this amount, and the figures in the table above reflect the actual fees paid during the year. The Articles of Association have been amended to reflect a higher limit going forward.
- (6) Martina King left the Board on 11 January 2017.
- (7) Details of the actual gains made are set out on page 65. The actual figures set out in the table above differ from those included in the 2017 Annual Report as last year an estimated value of £6.349 per share was used to calculate the theoretical gain, as the awards had not yet vested. The figures above reflect the share price of £2.574 on the date of vesting, 23 April 2018, adjusted to reflect the February 2018 rights issue.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Base Salary (audited information)

The base salaries of the Executive Directors are usually reviewed on an annual basis. As described in the Policy, the Committee compares the Group's remuneration packages for its Executive Directors and employees with those for Directors and employees of similar seniority in companies whose activities are broadly comparable with those of the Group. It also takes into account the progress made by the Group, contractual considerations, and salary increases across the rest of the Group.

To reflect the substantial increase in the scale and complexity of the Group as a result of the Regal acquisition and the pursuant responsibilities of the Executive Directors, as well as the CFO's progression in role since his appointment, the Executive Directors' base salaries were increased with effect from 28 February 2018 (being the date of the acquisition of Regal) as set out in the table below.

Average salaries across the Group were increased by 2.5%.

Salary levels as at the end of the financial period were:

|                   |                              |
|-------------------|------------------------------|
| Moshe Greidinger  | £630,000 p.a. <sup>(1)</sup> |
| Israel Greidinger | £505,000 p.a. <sup>(1)</sup> |
| Nisan Cohen       | £395,000 p.a.                |
| Renana Teperberg  | £395,000 p.a.                |

(1) Part of Moshe Greidinger's and Israel Greidinger's salaries are paid in Israel to enable social security and government healthcare deductions to be made.

### Pension (audited information)

Executive Directors are invited to participate in a Group Personal Pension Plan, which is a money purchase plan, or alternatively may receive a pension allowance in cash. The Executive Directors have elected not to participate in this scheme and instead receive a cash pension allowance. For 2018 this was 20% of salary for the CEO and Deputy CEO, and 14.8% of salary for the CFO and CCO.

Company pension contributions/allowances for the period were:

|                   | £000 |
|-------------------|------|
| Moshe Greidinger  | 124  |
| Israel Greidinger | 97   |
| Nisan Cohen       | 56   |
| Renana Teperberg  | 26   |

Figures in respect of Renana Teperberg's pension reflect her entitlement for the portion of the year for which she was a Director.

### Other Benefits (audited information)

Benefits in kind for Executive Directors comprised the provision of a company car or car allowance, private mileage, life insurance, permanent health insurance and private medical cover.

| Benefit  | Moshe Greidinger | Israel Greidinger | Nisan Cohen | Renana Teperberg |
|--|------------------|-------------------|-------------|------------------|
| Car/car allowance                                | £14,000          | £14,000           | -           | -                |
| Permanent health insurance/private medical cover | £2,602           | £1,676            | £2,602      | £1,176           |
| Life assurance                                   | £1,164           | £22,180           | £2,873      | £1,299           |
| Disturbance allowance                            | £40,000          | £40,000           | -           | -                |

Israel Greidinger and Moshe Greidinger both received a disturbance allowance of £40,000 for the period as, under the terms of their employment contracts, they are required to spend a sufficient and proportionate amount of time at the Company's head office in Brentford, Greater London. Figures in respect of Renana Teperberg's health and life insurance reflect her entitlement for the portion of the year for which she was a Director.

### Annual Bonus (audited information)

Annual bonus opportunity for the Executive Directors in the year was a maximum of 150% of base salary for the CEO and Deputy CEO and 100% of base salary for the CFO and CCO. As described in the Policy, two thirds of the annual bonus for the year was determined by a matrix of Adjusted EBITDA compared to budget, and the achievement of specified individual objectives. The choice of these measures reflects the Committee's belief that incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence. The weighting between the Group's financial performance and personal performance for this element of the annual bonus was circa 80%:20%. The remaining third of the annual bonus for the year was determined based on the delivery of synergy benefits as a result of the Regal acquisition, measured through the Adjusted EBITDA synergies delivered during 2018. The Committee retains the absolute discretion to apply "malus" and "clawback" by reducing or withholding annual bonus payments from the formulaic outcome based on Adjusted EBITDA performance (for example, in the event of misconduct or misstatement of financial results).

### PERSONAL OBJECTIVES

The individual performance element for the CEO, Deputy CEO, CFO and CCO for 2018 focused on the strategic growth agenda of the Group.

For the CEO and Deputy CEO, emphasis was placed initially on the successful completion of the acquisition of Regal in February 2018 and, thereafter, on the continued integration work in relation to the Regal business. In addition, objectives focused on the successful opening of new cinemas on time and on budget, the efficient implementation of the Group's construction and renovation programme, with particular emphasis on the US estate, identifying potential new cinema sites

and implementing technological advances appropriate to the industry. Further, the CEO was tasked with maintaining strong staff morale and commitment. In addition, the Deputy CEO also focused on the efficient functioning of the Group IT and cyber-security systems and, together with the CFO, reduction of net debt.

For the CFO, objectives also included managing all aspects of investor relations, ensuring that robust and appropriate financial controls and systems are maintained across the Group, and ensuring timely reporting to key stakeholders. Objectives also covered the monitoring of the newly enlarged Group's financial Key Performance Indicators, based on the Group's strategy. Focus areas for the CCO included leading commercial activity across the Group, managing key relationships with major suppliers, and leading the Group Film and Marketing departments.

### Performance Against Objectives

The Committee judged the individual objectives to have been achieved at the top level out of five for the Executive Directors. In making this assessment, the Committee considered a number of factors, including the successful completion of Regal, the positive progression of the integration plans, and the delivery of the integration benefits at a level greater than originally expected, at a faster pace.

The opening of 13 new sites (108 screens) during the year, taking the Group to 9,518 screens at 31 December 2018, and the new agreements signed with IMAX (55 screens), 4DX (80 screens) and ScreenX (100 screens) were also taken into account. Additional factors were the positive progression of the refurbishment programme across the estate, creating high quality, next generation cinemas with the latest audio and visual technology, the reduction of net debt, and the successful implementation of key IT systems Group-wide.

As part of the assessment process, the Committee took recommendations from the Chairman in respect of the CEO and Deputy CEO, and from the CEO and Deputy CEO in respect of the CCO and CFO respectively.

The table below shows the 2018 annual bonus targets and performance achieved against them.

|                   | Adjusted EBITDA performance               | EBITDA synergies delivered                                | Individual performance | Threshold bonus opportunity (£000) | Maximum bonus opportunity (£000) | Bonus paid   |             | £000 |
|-------------------|---|---|------------------------|------------------------------------|----------------------------------|--------------|-------------|------|
|                   |   |   |                        |                                    |                                  | % of maximum | % of salary |      |
| Moshe Greidinger  |   |   | Above and Beyond       | 192                                | 945                              | 91%          | 137%        | 861  |
| Israel Greidinger | 105% of budgeted Adjusted EBITDA achieved | 100% of maximum Adjusted EBITDA synergies target achieved | Above and Beyond       | 154                                | 758                              | 91%          | 137%        | 690  |
| Nisan Cohen       |   |   | Above and Beyond       | 80                                 | 395                              | 91%          | 91%         | 360  |
| Renana Teperberg* |   |   | Above and Beyond       | 80                                 | 395                              | 91%          | 91%         | 360  |

\* The bonus figure of £163,000 for Renana Teperberg as reported in the Single Total Figure Table on page 59 has been pro-rated to reflect the portion of 2018 during which Renana served as a Director. The table above shows the full amount of the bonus.

The Adjusted EBITDA synergy benefit target for FY18 of \$40m was achieved in full. As a result, the maximum bonus was payable under this element.

### The Cineworld Group Performance Share Plan ("PSP") (audited information)

#### Awards Vesting Following the End of the Performance Period Ending 31 December 2018

Awards under the PSP made in April 2016 are due to vest on 18 April 2019. The performance condition applicable to these awards is summarised below:

| EPS growth performance  | Vesting level       |
|-------------------------|---------------------|
| Less than 6% p.a.       | Nil                 |
| 6% p.a.                 | 30%                 |
| 12% p.a.                | 100%                |
| Between 6% and 12% p.a. | Straight-line basis |

The Adjusted diluted EPS figure for the year represented compound average annual growth of 17.3% on a pro forma basis, compared to the base year, with the result that the level of vesting for this award was 100%.

No performance conditions apply to Nisan Cohen and Renana Teperberg's PSP awards granted in 2016 since these were granted before they became Directors. The number and value of shares that will vest to each of the Executive Directors is set out on page 65 of this report.

#### Awards Made in the Year

Awards were made to the Executive Directors under the LTIP in April 2018. The vesting of these awards will be based on Cineworld's three year EPS growth performance, as summarised in the table below:

| EPS growth performance  | Vesting level       |
|-------------------------|---------------------|
| Less than 8% p.a.       | Nil                 |
| 8% p.a.                 | 25%                 |
| 15% p.a.                | 100%                |
| Between 8% and 15% p.a. | Straight-line basis |

The number and value of share options under the PSP which were awarded to the Executive Directors and vested during the period are set out on page 65 of this report.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Non-Executive Directors' Fees (audited information)

The table below sets out the fees payable to Non-Executive Directors:

| Position held                     | Fees as at 1 January 2018 | Fees as at 31 December 2018 <sup>(1)</sup> |
|-----------------------------------|---------------------------|--|
| Chairman                          | £175,000 p.a.             | £215,000 p.a.                              |
| Senior Independent Director       | £10,000 p.a.              | £10,000 p.a.                               |
| Non-Executive Director (base fee) | £50,000 p.a.              | £57,500 p.a.                               |
| Audit Committee Chair             | £20,000 p.a.              | £20,000 p.a.                               |
| Remuneration Committee Chair      | £10,000 p.a.              | £20,000 p.a.                               |
| Nomination Committee Chair        | £5,000 p.a.               | £10,000 p.a.                               |
| Committee member                  | £Nil                      | £Nil                                       |

(1) Non-Executive Directors' fees were increased with effect from 28 February 2018 (being the date of the acquisition of Regal), with the exception of the Remuneration Committee Chair fee, which increased with effect from 15 November 2018. Fees for Non-Executive Directors in 2017 were paid as outlined in last year's Directors' Remuneration Report. However, the total fees paid to Non-Executive Directors for 2015 - 17 exceeded the limit in the Articles of Association at that time. As a result, a portion of Non-Executive Director fees were waived in 2018 to offset this amount, and the figures in the table above reflect the actual fees paid during the year. The Articles of Association have been amended to reflect a higher limit going forward.

The Non-Executive Directors do not receive any share options, bonuses or other performance related payments, nor do they receive any pension entitlement or other benefits apart from expenses in relation to travel costs to attend Cineworld Board meetings, including related sustenance and accommodation.

### Loss of Office Payments (audited information)

There were no loss of office payments during the financial year.

### Payments to Past Directors

Philip Bowcock left the Company on 31 October 2015. A total of 48,242 shares vested under the PSP on 23 April 2018, adjusted to take account of the February 2018 rights issue. The value of this award based on the realised share price on the date of exercising (10 May 2018) was £135,789.07 including payment of a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting (£10,649.32).

### External Appointments

Moshe and Israel Greidinger are both directors of Israel Theatres Limited. In relation to these roles, they did not receive any fees. None of the Executive Directors receive any fees in relation to external non-executive roles (as set out in their biographies on pages 38 to 39).

### Directors' Shareholdings at 31 December 2018 (audited information)

|                                | Ordinary shares at 31 December 2018 | Share options subject to performance conditions at 31 December 2018 <sup>(1)</sup> |
|--------------------------------|-------------------------------------|--|
| <b>Executive Directors</b>     |                                     |  |
| Moshe Greidinger               | 383,930,992 <sup>(2)</sup>          | 1,141,237  |
| Israel Greidinger              | 383,676,680 <sup>(2)</sup>          | 836,470  |
| Nisan Cohen                    | 23,703                              | 308,172 <sup>(4)</sup>   |
| Renana Teperberg               | 63,854                              | 309,078 <sup>(4)</sup>   |
| <b>Non-Executive Directors</b> |                                     |  |
| Anthony Bloom                  | 5,208,006 <sup>(3)</sup>            | -  |
| Camela Galano                  | -                                   | -  |
| Alicja Kornasiewicz            | 75,000                              | -  |
| Dean Moore                     | 15,000                              | -  |
| Scott Rosenblum                | 84,385                              | -  |
| Arni Samuelsson                | -                                   | -  |
| Rick Senat                     | 269,370                             | -  |
| Julie Southern                 | -                                   | -  |

(1) Relates to unvested awards under the PSP. This figure includes awards made in 2016, 2017 and 2018 as the vesting of the 2016 awards described above will not happen until 18 April 2019 and has been adjusted to take account of the February 2019 rights issue.

(2) Includes ordinary shares held by Global City Theatres B.V ("Major Shareholder"). Shares in the Major Shareholder are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

(3) Shares are held by a nominee for trusts of which Anthony Bloom is one of the potential discretionary beneficiaries.

(4) No performance conditions apply to Nisan Cohen and Renana Teperberg's PSP awards granted in 2016 as these were granted before they became Directors.

The interests of Directors and their connected persons in ordinary shares as at 31 December 2018, including any interests in shares and share options provisionally granted under the PSP or LTIP are presented above.

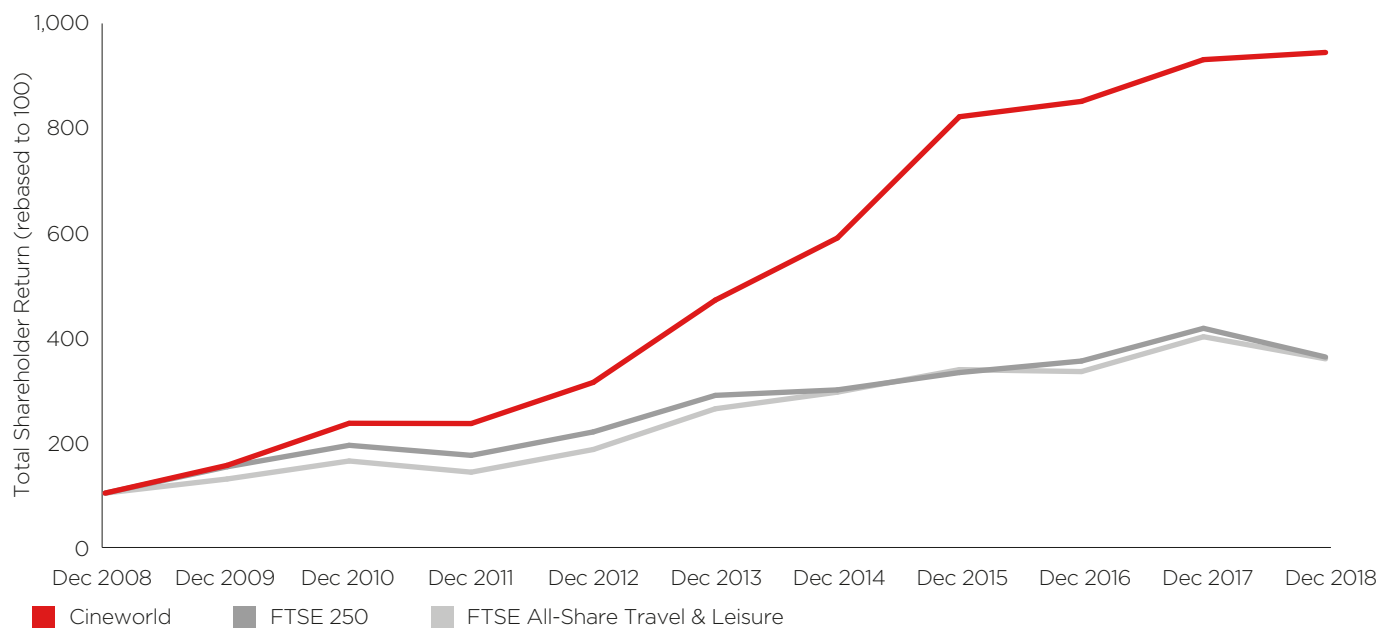


As described in the Policy, each Executive Director is expected to build up, over a period of time, a holding in shares equal to 150% of their base salary.

| Executive Directors | Shareholding guidelines (% of 2018 salary) | Shares owned outright (at 31 December 2018) | Current shareholding (% of salary as at 31 December 2018) | Guidelines met |
|---------------------|--|---|---|----------------|
| Moshe Greidinger    | 150%                                       | 799,272                                     | 334%  | Yes            |
| Israel Greidinger   | 150%                                       | 544,960                                     | 284%  | Yes            |
| Nisan Cohen         | 150%                                       | 23,703                                      | 16%   | Building       |
| Renana Teperberg    | 150%                                       | 63,854                                      | 43%   | Building       |

### Ten-Year Total Shareholder Return Performance and CEO Pay

The graph below compares the Company's Total Shareholder Return performance against the FTSE 250 and FTSE All-Share Travel & Leisure indices over the past ten financial years. The Remuneration Committee believes these to be the most appropriate comparators as Cineworld is a member of both indices.



| Financial year | CEO single figure of total remuneration £000 <sup>(1)</sup> | Bonus as proportion of maximum opportunity | LTI vesting as proportion of maximum opportunity |
|----------------|---|--|--|
| 2018           | £2,756  | 91%  | 100%   |
| 2017           | £2,346  | 79%  | 100%   |
| 2016           | £2,973 <sup>(2)</sup>                                       | 79%  | 100%   |
| 2015           | £1,213  | 87%  | – <sup>(3)</sup>                                 |
| 2014           | £1,440  | 76%  | 100%   |
| 2013           | £1,326  | 41%  | 81%  |
| 2012           | £1,258  | 60%  | 99%  |
| 2011           | £1,252  | 68%  | 100%   |
| 2010           | £1,212  | 82%  | 100%   |
| 2009           | £858  | 85%  | –  |

(1) Up to 2013 these figures solely relate to Stephen Wiener who was CEO up to and including 27 February 2014. For 2014, it represents a combination of two months of Stephen Wiener and ten months of Moshe Greidinger who both held the office of CEO during 2014.

(2) The increase in the CEO single figure between 2015 and 2016 primarily relates to the first vesting of a PSP award to the CEO since appointment. The value of this award vesting increased due to the significant increase in the Company's share price over the vesting period.

(3) Moshe Greidinger, CEO, did not have an LTIP which vested in this year. For those who did, the proportion was 100%.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Percentage Increase in CEO Remuneration

The percentage changes in the value of salary, non-pension benefits and bonus between 2017 and 2018 for the CEO and employees generally are set out in the table below:

|                      | CEO <sup>(1)</sup> | Employees <sup>(2)</sup> |
|----------------------|--------------------|--------------------------|
| Salary               | 9.0%               | 2.5%                     |
| Non-pension benefits | (25.6%)            | 2%                       |
| Annual bonus         | 92%                | 8.3%                     |

(1) The increases in respect of salary and bonus are reflective of the revised payments and bonus opportunity under the new Policy, which was updated in 2018 to take account of the substantial increase in the scale and complexity of the Group as a result of the Regal acquisition, and the significant increase in Mr Greidinger's responsibilities.

(2) The figures reflect increases for UK-based monthly salaried employees excluding the Senior Management group. This group has been selected as the UK is the country in which the CEO spends a significant proportion of his time.

### Relative Importance of Spend on Pay

The table below shows figures for people costs, shareholder dividends and a number of other significant distributions of turnover that the Committee considers to be relevant in order to provide context to the relevant importance of pay spend:

|                               | 2018              | 2017     | % change |
|-------------------------------|-------------------|----------|----------|
| Directors' remuneration costs | <b>£6.7m</b>      | £5.1m    | 31.4%    |
| Staff and employee costs      | <b>\$507.6m</b>   | \$162.9m | 211.6%   |
| Corporation tax paid          | <b>\$55.5m</b>    | \$15.4m  | 260.6%   |
| Dividends paid                | <b>\$122.8m</b>   | \$69.7m  | 76.2%    |
| Retained earnings             | <b>\$3,174.3m</b> | \$214.5m | 1,379.9% |

Figures in the table above are set out in USD to align with the figures as stated in the Financial Statements, except for the Directors' Remuneration figures, which are set out in Sterling to align with the figures contained in the Single Total Figure Table on page 59.

### Shareholder Voting Results from 2018 AGM

The Directors' Annual Report on Remuneration and the Remuneration Policy were subject to a shareholder vote at the AGM on 16 May 2018, the results of which were as follows:

| Remuneration Report           | Number of votes | % of votes cast |
|-------------------------------|-----------------|-----------------|
| For                           | 1,007,068,767   | 90.85%          |
| Discretionary                 | 161,841         | 0.01%           |
| Against                       | 101,216,125     | 9.13%           |
| Total votes cast              | 1,108,446,733   | 100%            |
| Votes withheld <sup>(1)</sup> | 19,142,196      | -               |

(1) A vote withheld is not counted as a vote in law.

| Remuneration Policy           | Number of votes | % of votes cast |
|-------------------------------|-----------------|-----------------|
| For                           | 732,830,243     | 65.54%          |
| Discretionary                 | 161,539         | 0.01%           |
| Against                       | 385,117,781     | 34.44%          |
| Total votes cast              | 1,118,109,563   | 100%            |
| Votes withheld <sup>(1)</sup> | 9,479,366       | -               |

(1) A vote withheld is not counted as a vote in law.

### Share and Share Option Awards Granted and Vesting During the Year (audited information)

Awards or grants were made under the Company's Share and Share Option Schemes as follows:

**PSP:** Awards consisting of nil cost options over shares were granted to the CEO, Deputy CEO, CFO and CCO equivalent in value to 200%, 200%, 150% and 150% of their base salaries respectively on 23 April 2018 which will become exercisable after three years. Details of the awards are set out below. Awards are subject to continued employment and the achievement of the performance conditions as set out on page 61.

Awards granted or vesting during the year:

#### Cineworld Group Performance Share Plan

Details of awards made and vesting during the period are set out below. All figures have been adjusted for the February 2018 rights issue:

| Name of Director         | At 1 January 2018 | Awarded during year    | Vested during year | Exercised during year | Lapsed during year | At 31 December 2018 | Exercise price | Market value at date of exercise <sup>(1)</sup> | Exercise period <sup>(2)</sup> | Gain <sup>(3)</sup> |
|--------------------------|-------------------|------------------------|--------------------|-----------------------|--------------------|---------------------|----------------|---|--------------------------------|---------------------|
| <b>Current Directors</b> |                   |                        |                    |                       |                    |                     |                |   |                                |                     |
| Moshe Greidinger         | 1,060,003         | 487,238 <sup>(4)</sup> | 406,004            | 406,004               | -                  | 1,141,237           | £Nil           | £2.594  | 6 months                       | £1,142,800          |
| Israel Greidinger        | 722,726           | 390,564 <sup>(4)</sup> | 276,820            | 276,820               | -                  | 836,470             | £Nil           | £2.594  | 6 months                       | £779,179            |
|                          |                   |                        |                    | 21,317                |                    |                     | £Nil           | £2.273  | 11 months <sup>(5)</sup>       | £60,480             |
| Nisan Cohen              | 86,804            | 229,118 <sup>(4)</sup> | 7,750              | 7,750                 | -                  | 308,172             | £Nil           | £2.594  | 6 months                       | £21,814             |
| Renana Teperberg         | 101,219           | 229,118 <sup>(4)</sup> | 21,259             | 21,259                | -                  | 309,078             | £Nil           | £2.594  | 6 months                       | £59,839             |
| <b>Past Directors</b>    |                   |                        |                    |                       |                    |                     |                |   |                                |                     |
| Philip Bowcock           | 48,242            | -                      | 48,242             | 48,242                | -                  | -                   | £Nil           | £2.594  | 6 months                       | £135,789            |

(1) This was the price per share received in respect of those shares which were sold.

(2) Subject to satisfaction of the relevant performance conditions (details of which, for the awards made in 2018, are set out on page 61).

(3) The gain has been calculated using the realised share price on the date of exercising and includes payment of a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting. The dividend equivalent payments amounted to £61,108 for Israel Greidinger, £89,625 for Moshe Greidinger, £1,711 for Nisan Cohen, £4,693 for Renana Teperberg and £10,649 for Philip Bowcock.

(4) Mid-market closing price of a Cineworld Group plc share on 20 April 2018 was £2.586. The face value of the awards to Israel Greidinger, Moshe Greidinger, Nisan Cohen and Renana Teperberg were £1,010,000, £1,260,000, £592,500 and £592,500 respectively. All awards were granted as nil cost options.

(5) Due to regulatory restrictions imposed as a result of the Regal acquisition, the Committee agreed to extend the exercise period for Nisan Cohen until after the end of the closed period. The awards were exercised in January 2018 as reported by RNS announcement at the time.

Details of the awards vesting in April 2019:

| Name of Director                | Date awarded  | Number awarded <sup>(1)</sup> | Vesting date  | Number vesting | Number lapsing | Exercise price | Exercise period         |
|---------------------------------|---------------|-------------------------------|---------------|----------------|----------------|----------------|-------------------------|
| Moshe Greidinger                | 18 April 2016 | 355,994                       | 18 April 2019 | 355,994        | 0              | £Nil           | 18/04/2019 - 17/10/2019 |
| Israel Greidinger               | 18 April 2016 | 242,722                       | 18 April 2019 | 242,722        | 0              | £Nil           | 18/04/2019 - 17/10/2019 |
| Nisan Cohen <sup>(2)</sup>      | 18 April 2016 | 17,735                        | 18 April 2019 | 17,735         | 0              | £Nil           | 18/04/2019 - 17/10/2019 |
| Renana Teperberg <sup>(2)</sup> | 18 April 2016 | 18,641                        | 18 April 2019 | 18,641         | 0              | £Nil           | 18/04/2019 - 17/10/2019 |

(1) Number awarded has been adjusted for February 2018 rights issue.

(2) Nisan Cohen and Renana Teperberg's PSP awards granted in 2016 are not subject to the EPS performance conditions.

#### Cineworld Group Company Share Option Plan

No Director was granted an option during the period and no options vested during the period.

No Director, past or present, holds a CSOP option which will vest in the 2019 financial year.

#### Cineworld Group Sharesave Scheme

No Directors currently participate in the Company's Sharesave Scheme.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### IMPLEMENTATION OF POLICY IN 2019

The Remuneration Committee intends to implement the Policy for 2019 as set out below.

For the 2019 financial year the salaries and other benefits of the Executive Directors will be reviewed in the usual manner, with any salary increases being effective from 1 July 2019.

The maximum annual bonus opportunity will be 150% of salary for the CEO and Deputy CEO and 100% of salary for the CFO and CCO.

In line with the Policy, two-thirds of the bonus will be based on performance against Adjusted EBITDA targets and individual strategic objectives, with the remaining third being based on strategic targets, which for the 2019 financial year will be based on the delivery of synergy benefits as a result of the Regal acquisition.

Bonus payments will be subject to Committee discretion to apply "malus" and, following payment, the Committee will retain the discretion to "claw back" bonuses in the case of misconduct or misstatement of financial results.

The face value of awards granted under the LTIP in 2019 will be 200% of salary for the CEO and Deputy CEO and 150% of salary for the CFO and CCO. The calibration of targets for these awards is set out in the table below.

| EPS growth performance  | Vesting level       |
|-------------------------|---------------------|
| Less than 8% p.a.       | Nil                 |
| 8% p.a.                 | 25%                 |
| 15% p.a.                | 100%                |
| Between 8% and 15% p.a. | Straight-line basis |

In considering the appropriate calibration of targets, the Committee has taken into account both the internal business plan and external analyst estimates based on the enlarged Group following the acquisition of Regal. The Committee believes that the growth targets are stretching and, if they are achieved, a significant amount of value will have been created for shareholders. Given the international nature of the Group, the Committee continues to believe that UK retail price index inflation is a less directly relevant factor and will therefore express the targets as absolute growth levels.

As with the 2018 awards, in addition to the EPS performance condition, the Committee, in its absolute discretion, will need to be satisfied that an award holder has performed their duties at a satisfactory level over the three years from date of grant in order for awards to vest. The Committee, therefore, will retain the absolute discretion to apply "malus" to unvested awards, by reducing or withholding vesting. Following vesting, the Committee will also retain the discretion to claw back LTIP shares in the case of misconduct or misstatement of financial result.

In addition, a two year post-vesting holding period will apply to the 2019 awards for Executive Directors, bringing the total period from grant to release to five years, in line with the Code requirement.

### INCORPORATION BY REFERENCE

The sections "The Remuneration Committee and its Role" and "Remuneration Committee Advisors" also form part of the Corporate Governance Statement, and are incorporated into that statement by reference.

By order of the Board

**Dean Moore**

**CHAIR OF THE REMUNERATION COMMITTEE**

28 March 2019



## DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2018. The comparative period is the year ended 31 December 2017.

### MANAGEMENT REPORT

This Directors' Report, together with the Strategic Report on pages 1 to 35, form the Management Report for the purposes of rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

### INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT

Information required to be part of this Directors' Report and certain other information can be found elsewhere in the Annual Report as indicated in the table below, and is incorporated into this Report by reference.

| Information  | Location in Annual Report                    |
|--|--|
| Audit Tendering  | Pages 53 and 72                              |
| Corporate Governance Statement   | Pages 36 to 54                               |
| Diversity, Human Rights and Our People   | Pages 28 to 30 (Resources and Relationships) |
| Directors' Biographies   | Pages 38 and 39                              |
| Financial instruments: Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk | Note 24, Page 125                            |
| Going Concern Statement  | Page 37                                      |
| Key Performance Indicators   | Pages 14 and 15                              |
| An indication of likely future developments in the business affecting the Company  | Pages 1 to 35 (Strategic Report)             |
| Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements  | Page 73                                      |
| Viability Statement  | Pages 27 and 37                              |

### FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are forward-looking and so involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Therefore, results and developments can differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report, and the Group undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

### RESULTS AND DIVIDENDS

The results for the Group for the year ended 31 December 2018 are presented under International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law. However, the Group has elected to prepare its financial statements in accordance with UK Accounting Standards, including FRS 101 "Reduced Disclosure Framework". The results for the year are set out in the Consolidated Statement of Profit or Loss on page 83.

During the year the Company announced that for financial periods beginning on or after 1 January 2018, the Company would change the presentation currency in which the Group presents its consolidated financial results from pounds sterling to US dollars. As a consequence of the change, dividends are now declared in US dollars. The default payment currency for dividends has remained pounds sterling, unless shareholders elect for payments to be made in US dollars.

An interim dividend of 4.85 cents per share was paid on 5 October 2018. The Directors are recommending a final dividend of 10.15 cents per share which, if approved by the shareholders at the Annual General Meeting ("AGM"), will be paid on 5 July 2019 to shareholders on the register on 14 June 2019. As announced on 14 March 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 first, second and third interim dividend payment for 2019 are set out on page 123.

### REGAL ACQUISITION AND RIGHTS ISSUE

On 5 December 2017, the Group announced the proposed acquisition of Regal by means of an acquisition of the entire issued, and to be issued, share capital of Regal. The acquisition completed on 28 February 2018 and was settled in cash, funded by a fully underwritten rights issue and committed debt facilities. More details may be found on page 35 in the Financial Review.

At the General Meeting held on 2 February 2018, shareholders approved the acquisition of Regal, and approved the allotment of up to 1,095,662,872 ordinary shares in the Company in relation to the rights issue.

### FINANCIAL RISK MANAGEMENT

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. Full details are set out in Note 24 to the financial statements, and are incorporated into this Directors' Report by reference.

## DIRECTORS' REPORT CONTINUED

### FUNDING AND LIQUIDITY

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 31 to 35. In addition, Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. Such sections are incorporated into this Directors' Report by reference.

### INTERNATIONAL OPERATIONS AND BRANCHES

At the year end, the Group had operations in the UK, US, Jersey, Ireland, Poland, Israel, Hungary, Czech Republic, Bulgaria, Romania and Slovakia.

### SUBSTANTIAL SHAREHOLDINGS

At 31 December 2018, the Group had been notified, pursuant to the Disclosure Guidance and Transparency Rules, of the following interests in the voting rights of the Company. Notifications confirming a party's interest has gone below the threshold notification level have not been included:

| Shareholder   | Voting rights | % of total voting rights <sup>(1)</sup> | Nature of holding   |
|---|---------------|---|---------------------|
| Global City Holdings B.V. <sup>(2)</sup>  | 383,131,720   | 27.97                                   | Indirect            |
| Aggregate of Standard Life Aberdeen Plc (affiliated investment management entities) | 77,922,792    | 5.69                                    | Indirect            |
| Morgan Stanley  | 55,790,004    | 4.07                                    | Indirect            |
| Polaris Capital Management LLC  | 54,810,732    | 3.99                                    | Indirect            |
| Aviva plc and its subsidiaries  | 46,223,433    | 3.37                                    | Direct and Indirect |

(1) Percentages are stated as at the time of notification. The total number of voting rights at 31 December 2018 was 1,371,163,021.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

The following notifications were received in the period from 1 January 2019 up to the latest practicable date:

| Shareholder                    | Voting rights | % of total voting rights <sup>(1)</sup> | Nature of holding |
|--------------------------------|---------------|---|-------------------|
| Polaris Capital Management LLC | 54,923,544    | 4.01                                    | Indirect          |
| Morgan Stanley                 | 48,514,260    | 3.54                                    | Indirect          |

### MAJOR SHAREHOLDER VOTING ARRANGEMENTS

Global City Theatres B.V. ("GCT") is interested in aggregate in 28% of the rights to vote at general meetings of the Company. The Company and GCT entered into a relationship agreement dated 5 December 2017 to regulate the relationship between them. This agreement replaced the agreement between Global City Holdings and the Company of 10 January 2014 and is on the same terms as the previous relationship agreement. Under the relationship agreement, the parties acknowledge that the Group is capable of carrying on business independently, and that all arrangements between the Company and GCT will be on arm's length terms. The relationship agreement contains a requirement (where reasonably practical) to consult with and consider the reasonable views of the Chairman or Senior Independent Director of the Company prior to a disposal of ordinary shares in the Company.

### SHARE CAPITAL AND CONTROL

The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carries one vote. Details of the share capital, and changes in it over the year, are shown in Note 23 to the financial statements.

The holders of ordinary shares are entitled to receive Company reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfers of, or limitations on the holding of, ordinary shares and there is also no requirement of any prior approval of any transfers other than (i) those which may be applicable from time to time under existing laws or regulation or, (ii) if a person with an interest in 0.25% of the issued share capital held in certificated form has been served with a disclosure notice and fails to respond with the required information concerning interests in that share capital.

No ordinary shares carry any special rights with regard to control of the Company. Except as stated in the paragraph directly above and the Major Shareholder Voting Arrangements section above, there are no restrictions on voting rights attaching to the ordinary shares and the Company is not aware of any known agreements between shareholders that restrict the transfer of voting rights attached to ordinary shares. No treasury shares are held by the Company and no shares are held by any trustee in connection with any share scheme operated by the Group.

On 20 February 2018, the Company announced the results of the 4 for 1 rights issue at 157 pence per New Ordinary Share. The Company received valid acceptances in respect of 1,055,322,013 New Ordinary Shares, representing approximately 96.31 per cent of the total number of New Ordinary Shares offered to qualifying shareholders pursuant to the rights issue. Further details of the rights issue may be found in Note 23 on page 123.

In June 2018, the Company carried out a capital reduction, as authorised by Shareholders at the AGM in May 2018. Details of the capital reduction may be found in Note 23 on page 123 to the financial statements.

## ARTICLES OF ASSOCIATION

The Company's Articles of Association ("Articles"), together with English law, define the Board's powers. Changes to the Articles must be approved by shareholders in accordance with the Articles themselves and legislation in force at the relevant time. The last changes were approved by shareholders at the AGM held on 16 May 2018.

## CHANGE OF CONTROL

There are no significant agreements which take effect, alter or terminate in the event of a change of control of the Company except that under its current banking arrangements, a change of control may trigger a right for lenders to require early repayment of all sums outstanding.

No Director or employee is contractually entitled to compensation for loss of office or employment as a result of a change in control; however, provisions in the Company's share schemes may cause options or awards granted to employees to vest on a change of control.

## ISSUE OF NEW SHARES AND AUTHORITY TO PURCHASE SHARES

At the AGM held on 16 May 2018, shareholders gave authority for the allotment of shares up to an aggregate nominal value of £4,565,438.25 subject to certain conditions. This authority will expire at the 2019 AGM of the Company or on 15 August 2019, whichever is earlier.

Between 1 January 2018 and 31 December 2018, a total of 1,097,247,303 shares were issued, including in respect of the February 2018 rights issue. Further details of the 1,097,247,303 shares issued in this period are set out in Note 23 to the financial statements.

At the AGM held on 16 May 2018, shareholders gave authority for the purchase of up to 136,963,146 ordinary shares in the Company for cancellation or placing into treasury. No shares have been acquired under this authority.

The Board proposes to seek shareholder approval at the AGM to renew both the Company's authority to issue new shares and its authority to purchase its own ordinary shares for cancellation or placing in treasury. Details of the proposed resolutions are set out in the Notice of AGM (the "AGM circular") dispatched or made available to shareholders with the Annual Report and Accounts (or on notification of its availability).

## DIRECTORS' INTERESTS AT YEAR END

| Director                        | Ordinary shares held directly |                  | Ordinary shares held by companies in which a Director has a beneficial interest or is connected |                            |
|---------------------------------|-------------------------------|------------------|---|----------------------------|
|                                 | 31 December 2017              | 31 December 2018 | 31 December 2017  | 31 December 2018           |
| Anthony Bloom                   | -                             | -                | 2,208,006 <sup>(1)</sup>  | 5,208,006 <sup>(1)</sup>   |
| Nisan Cohen                     | -                             | 23,703           | -   | -                          |
| Camela Galano <sup>(3)</sup>    | -                             | -                | -   | -                          |
| Israel Greidinger               | 81,310                        | 544,960          | 76,626,344 <sup>(2)</sup>   | 383,131,720 <sup>(2)</sup> |
| Moshe Greidinger                | 119,254                       | 799,272          | 76,626,344 <sup>(2)</sup>   | 383,131,720 <sup>(2)</sup> |
| Alicja Kornasiewicz             | -                             | 75,000           | -   | -                          |
| Dean Moore                      | -                             | 15,000           | -   | -                          |
| Scott Rosenblum                 | 16,877                        | 84,385           | -   | -                          |
| Arni Samuelsson                 | -                             | -                | -   | -                          |
| Rick Senat                      | 53,874                        | 269,370          | -   | -                          |
| Julie Southern                  | -                             | -                | -   | -                          |
| Renana Teperberg <sup>(3)</sup> | -                             | 63,854           | -   | -                          |

(1) Shares are held by a nominee for trusts of which Anthony Bloom is one of the potential discretionary beneficiaries.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

(3) Camela Galano and Renana Teperberg joined the Board on 19 July 2018.

## DIRECTORS' REPORT CONTINUED

### DIRECTORS' INTERESTS AT THE LATEST PRACTICABLE DATE

| Director                        | Ordinary shares held directly | Ordinary shares held by companies in which a Director has a beneficial interest or is connected |
|---------------------------------|-------------------------------|---|
| Anthony Bloom                   | -                             | 5,208,006 <sup>(1)</sup>  |
| Nisan Cohen                     | 23,703                        | -   |
| Camela Galano <sup>(3)</sup>    | -                             | -   |
| Israel Greidinger               | 544,960                       | 383,131,720 <sup>(2)</sup>  |
| Moshe Greidinger                | 799,272                       | 383,131,720 <sup>(2)</sup>  |
| Alicja Kornasiewicz             | 75,000                        | -   |
| Dean Moore                      | 15,000                        | -   |
| Scott Rosenblum                 | 84,385                        | -   |
| Arni Samuelsson                 | -                             | -   |
| Rick Senat                      | 269,370                       | -   |
| Julie Southern                  | -                             | -   |
| Renana Teperberg <sup>(3)</sup> | 63,854                        | -   |

(1) Shares are held by a nominee for trusts of which Anthony Bloom is one of the potential discretionary beneficiaries.

(2) Shares are held by Global City Theatres B.V., a wholly owned subsidiary of Global City Holdings B.V. ("GCH"). GCH is owned by trusts for the benefit of the children of Moshe Greidinger and Israel Greidinger.

(3) Camela Galano and Renana Teperberg joined the Board on 19 July 2018.

The Directors who held office at the end of the financial year had interests in the ordinary shares of the Company at the beginning and end of the year under review as set out in the table above.

Details of the interests in the ordinary shares of the Company arising under the Group's share option schemes are set out in the Remuneration Report on page 62. No rights to subscribe for shares in or debentures of other Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the year. None of the Directors had any discloseable interest in the shares of Group companies other than the Company.

### APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of directors is governed by the Company's Articles, the UK Corporate Governance Code (the "Code"), the Companies Act 2006 and related legislation. All directors intending to continue in office seek election or re-election by shareholders at each AGM. The Articles may be amended by a special resolution of the shareholders.

Following the Board evaluation process undertaken in 2018, the Board is satisfied that each Director standing for re-election or election continues to show the necessary commitment, and to be an effective member of the Board due to their skills, expertise and business acumen.

Under the terms of the relationship agreement between the Company and GCT (described further in the Major Shareholder Voting Arrangements section above), GCT has the right to appoint one Non-Executive Director (but only if none of Moshe Greidinger, Israel Greidinger and Scott Rosenblum are on the Board) for so long as it holds at least 10% of the voting rights in the Company.

Details of the Directors' remuneration, are set out in the Directors' Remuneration Report on pages 55 to 66 and information on their service contracts are set out in the Remuneration Policy contained in the 2017 Annual Report and Accounts.

### CONFLICTS OF INTEREST

The Articles permit the Board to consider and, if it sees fit, authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts whereby the Directors who have no interest in the matter decide whether to authorise the conflict. In deciding whether to authorise the conflict, the non-conflicted Directors are required to act in the way which they consider would be most likely to promote the success of the Company for the benefit of all shareholders and they may, and do, impose conditions to be attached to such authorisations. The Board believes that the arrangements for reporting and considering such conflicts operate effectively.

### DIRECTORS' INTERESTS IN CONTRACTS

The Group has a number of property lease agreements in place with Global City Holdings B.V. ("GCH") (and/or its subsidiary undertakings). Further details of the amounts paid under these agreements can be found in Note 27 to the financial statements. Shares in GCH are held in trust for the benefit of the children of Moshe Greidinger and Israel Greidinger.

None of the Directors has a material interest in any contract of significance to which the Company or a subsidiary was a party during the financial year, other than as disclosed above, in their service contracts or letters of appointment described in the Directors' Remuneration Report, in Note 27 to the financial statements and in the Remuneration Policy contained in the 2017 Annual Report and Accounts.



## DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Company maintains insurance cover for all Directors and Officers of Group companies against liabilities which may be incurred by them while acting as Directors and Officers.

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors as permitted by law and by the Articles against liabilities they may incur in the execution of their duties as Directors of the Company.

## POLITICAL DONATIONS

The Group's policy, which it has followed, is to make no donations to political parties.

## EMPLOYEES

The policy is to recruit, employ and develop staff on the basis of the suitability of their qualifications and experience, regardless of sex, marital status, race, nationality, age, sexual orientation or religion. It is Group policy to give full and fair consideration to applications for employment from disabled people, having regard to their particular abilities and aptitudes. Full consideration is given to continuing the employment of staff who become disabled, including considering them for other reasonable positions and arranging appropriate training.

The health, welfare and development of the Group's employees remain a priority. With the intent of attracting, recruiting, developing and retaining key employees. Cineworld maintains a number of policies and procedures for the benefit of its employees, which are available to all employees across the Group. Continuing education, training and development are important to ensure the future success of the Group and employee development is encouraged through appropriate training. The Group supports individuals who wish to obtain appropriate further education qualifications and reimburses tuition fees up to a specified level.

Regular and open communication between management and employees is essential for motivating the workforce. Briefings are held regularly to provide updates on the Group's business and to provide opportunity for questions and feedback. The Group encourages the involvement of employees in its performance through the operation of bonus schemes throughout the Group.

## ENVIRONMENTAL MATTERS AND GREENHOUSE GAS EMISSIONS

Due to the acquisition of Regal in February 2018, Cineworld's 2018 greenhouse gas ("GHG") emissions have more than doubled from 2017. The US business now accounts for 65% of Cineworld's 2018 carbon footprint. Excluding Regal, Cineworld's GHG emissions have reduced 1% from 2017. This section provides the GHG emission data and supporting information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Information on the Group's environmental policies are summarised in the Resources and Relationships section on pages 28 to 30.

## ORGANISATIONAL BOUNDARY

The organisational boundary used for the Company's GHG reporting is operational control.

## REPORTING SCOPE

The Company is reporting on emissions covered by scopes 1 and 2 (comprising electricity, gas, and fugitive F-gas emissions) from global operations.

As well as scope 1 and 2 emissions figures, additional "outside of scope" emissions are included for owned transport to account for biofuel additions. Scope 3 well-to-tank (for all fuels) and transmission and distribution (from electricity) emissions are also included.

## EMISSIONS INCLUDED

Mandatory emissions sources as specified by the Environmental Reporting Guidelines published by the Department for Environment, Food and Rural Affairs ("Defra") have been included in this report (see also "Estimates and Exclusions" below).

Table 1 shows Defra's stated mandatory areas for reporting and how the stated categories apply to the Group.

**TABLE 1: REPORTING REQUIREMENTS**

| Ref | Defra requirement                           | Relevance                                   |
|-----|---|---|
| A1  | Fuel combustion (stationary)                | Natural gas (heating)                       |
| A2  | Fuel combustion (mobile)                    | Owned transport (fleet)                     |
| B   | Facility operation: process emissions       | N/A   |
| B   | Facility operation: fugitive emissions      | F-gases: refrigeration and air conditioning |
| C   | Purchased electricity, heat, steam, cooling | Electricity only                            |

### GHG EMISSIONS DATA

The GHG emissions for the Group for the 12 month period to 30 September 2018 are shown in Table 2 below in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

**TABLE 2: 2018 GHG EMISSIONS**

| Ref                                  | Category                     | tCO <sub>2</sub> e 2018 | tCO <sub>2</sub> e 2017 |
|--------------------------------------|------------------------------|-------------------------|-------------------------|
| A1                                   | Fuel combustion (stationary) | 44,865                  | 20,127                  |
| A2                                   | Fuel combustion (mobile)     | 1,830                   | 1,911                   |
| B                                    | Facility operation           | 5,334                   | 347                     |
| C                                    | Purchased electricity        | 358,344                 | 121,722                 |
| Total                                |                              | 410,373                 | 144,107                 |
| Total excluding Regal <sup>(1)</sup> |                              | 142,455                 | 144,107                 |

(1) In February 2018, Cineworld acquired Regal. This data shows the comparison between 2017 and 2018 emissions figures excluding the impact of Regal.

### ESTIMATES AND EXCLUSIONS

This report sets out GHG emissions from Cineworld Group plc's global operations from 1 October 2017 to 30 September 2018. This is a new reporting period for Cineworld. Previously, emissions were reported on a calendar year basis. The revised reporting period has been implemented to allow accurate data to be used and reduce the use of estimated data.

Polish gas data was captured in local currency and converted into kWh. This affects less than 1% of total emissions.

Some estimates were used to fill gaps in our transport fuel use data, electricity/gas consumption and F-gas data in non-UK sites. This amounts to less than 1% of total emissions.

### EMISSIONS INTENSITY

The chosen carbon intensity measure is financial turnover. This was chosen due to ready availability of the data. The value for the year was 99.63 tonnes CO<sub>2</sub>e per \$1m turnover.

For comparison, 2017's emissions were 144,107 tonnes CO<sub>2</sub>e at an intensity of 125.63 tonnes CO<sub>2</sub>e per \$1m turnover (using corrected figures).

### METHODOLOGY AND EMISSIONS FACTORS

This report was calculated using the methodology set out in Defra's updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (ref. PB 13944), issued by Defra in June 2013. Emissions factors are taken from the Department for Business, Energy and Industrial Strategy's June 2018 update.

Emissions factors for fuels use scope 3 well-to-tank upstream additions to account for emissions from sourcing and processing fuel. Owned transport emissions include outside of scope additions for biogenic additions. Electricity emissions include transmission and distribution losses.

### ANNUAL GENERAL MEETING

The Notice convening the AGM, to be held at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 10.30am on 15 May 2019, is contained in the AGM circular. Details of all the resolutions to be proposed are set out in the AGM circular.

### AUDITOR AND TENDER

Following the audit tender process in 2016, KPMG LLP was reappointed as External Auditor. The Company will continue to comply with the relevant tendering and auditor rotation requirements applicable under UK and EU regulations.

### DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

By order of the Board

**F Smith**

**COMPANY SECRETARY**

Cineworld Group Plc

28 March 2019

Registered Office:

8th Floor

Vantage London

Great West Road

Brentford

TW8 9AG

Registered: England No: 5212407

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Moshe Greidinger**  
**CHIEF EXECUTIVE OFFICER**  
28 March 2019

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF CINEWORLD GROUP PLC

### 1 Our opinion is unmodified

We have audited the financial statements of Cineworld Group plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the related notes, including the accounting policies in Note 1 of the Group financial statement and Note 28 of the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 23 August 2004 prior to the Company becoming a public interest entity. The period of total uninterrupted engagement is for the 12 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### 2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.



## The risk

Potential impairment of property, plant and equipment, in relation to an individual cinema site in Israel – Net Book value \$32.9m

## Risk vs 2017 ↔

Refer to page 52 (Audit Committee Report), page 91 (accounting policy) and page 105 (financial disclosures).

**Forecast-based valuation**

The carrying value of property, plant and equipment balances at an individual cinema level may not be recoverable through future cash flows as national and local factors, such as movie slates or increased competition, can materially affect site performance.

One particular cinema site in Israel, with a carrying value of \$32.9m, is in a developing market that is highly sensitive to external social and political conditions. As such, its low valuation headroom presents a risk that its carrying value will not be supported by the continuing operations.

Impairment testing valuations are based upon highly judgmental input assumptions. The key sensitivities in the calculation arise from the difficulties in accurately predicting site performance, which is dependent to some extent on external uncontrollable factors. In particular, the key assumptions of the valuation of the site in Israel are revenue growth (driven by forecast attendance levels; average ticket pricing ('ATP') growth; spend per person ('SPP') growth); real estate revenue growth and discount rate.

As a result of the subjectivity of this estimate we consider this to be a significant risk area for the audit.

## Our response

Our procedures included evaluating the Group's key assumptions and methodology used in the value in use calculations supporting the carrying value of the property, plant and equipment.

**Our sector experience:** Evaluating the forecast growth assumptions used. Our assessment was based on our existing knowledge of the business.

**Historical comparisons:** Challenging the forecast growth assumptions by comparing them to recent historical trading performance. Assessing the accuracy of the Group's previous forecasts to actual results and considering whether the forecasts used in the most recent impairment tests appropriately take into account actual performance during 2018. Assessing the adequacy of adjustments made to the impairment calculation as a result of our challenge.

**Benchmarking assumptions:** Comparing the Group's forecast growth assumptions to internally and externally derived data. Challenging the calculation of the discount rate used and comparing it to other externally derived data with assistance from our valuations specialist.

**Sensitivity analysis:** Performing breakeven analysis on the assumptions noted above.

**Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in the key assumptions reflected the risks inherent in the valuation of the particular cinema in Israel.

**Our results**

We found the Group's assessment of potential impairment of property, plant and equipment, in relation to the specific cinema site in Israel to be acceptable (2017: acceptable).

### Acquisition accounting

On 28 February 2018, the Company completed the acquisition of Regal Entertainment Group. The accounting for this acquisition has given rise to four specific significant risks which are detailed below.

### Property related fair value measurement (\$983.1m)

#### New 2018 risk

Refer to page 52 (Audit Committee Report), page 96 (accounting policy) and page 113 (financial disclosures).

#### Subjective valuation

As a result of the acquisition, in accordance with IFRS 3 Business Combinations, management has performed a fair value assessment of the acquired property related tangible assets. The Regal cinema estate included 560 sites with a net book value of \$1,503m at acquisition.

The valuation of the acquired property related tangible assets requires management to make an estimate of the fair value of these assets. Management has used a number of key assumptions in the forecasting of future cash flows expected to be generated, which forms the basis of the estimate. The key assumptions are revenue growth (driven by forecast attendance levels; average ticket pricing ('ATP') growth; spend per person ('SPP') growth) and discount rate.

The effect of these matters is that, as part of our risk assessment, we determined that the value of \$983.1m has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 18) disclose the sensitivity estimated by the Group.

As a result of the subjectivity of this estimate we consider this to be a significant risk area for the audit.

Our procedures included:

**Our valuation expertise:** Use of our own valuation specialists to challenge key assumptions such as discount rate based on our sector expertise.

**Benchmarking assumptions:** Comparing the group's assumptions to internally and externally derived data in relation to key the inputs of forecast attendance levels; ATP growth; SPP growth and discount rate.

**Historical comparisons:** Challenging growth assumptions by comparing to recent historical trading performance. Assessing the accuracy of the US operation's forecasting process through comparison of previous forecasts to actual results and considering whether the forecasts used are the most appropriate basis upon which to value the acquired property related tangible assets. Assessing the adequacy of adjustments made to the valuation as a result of our challenge.

**Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the fair value assessment to changes in key assumptions reflected the risks inherent in the valuation of acquired property related tangible assets.

#### Our results:

We found management's assessment of the fair value measurement acquired property related tangible assets to be acceptable.

### Identification and valuation of intangible assets acquired (\$508.9m)

#### New 2018 Risk

Refer to page 52 (Audit Committee Report), page 96 (accounting policy) and page 113 (financial disclosures).

#### Subjective valuation

As a result of the acquisition, in accordance with IFRS 3 Business Combinations, management has performed a fair value assessment of the identified acquired intangible assets. The identification and assessment of fair value of the intangible assets and liabilities acquired is dependent on accurately forecasting the future performance of the group on a market participant basis.

The valuation of the identified assets and liabilities requires management to make an estimate over the future value of each asset and liability identified which is reliant on a number of key observable and unobservable input assumptions.

The key assumptions are revenue growth (driven by forecast attendance levels; average ticket pricing ('ATP') growth; spend per person ('SPP') growth) and discount rate.

The effect of these matters is that, as part of our risk assessment, we determined that the value of \$508.9m has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 18) disclose the sensitivity estimated by the Group

As a result of the subjectivity of this estimate we consider this to be a significant risk area for the audit.

Our procedures included:

**Our valuation expertise:** Use of our own valuation specialists to assess the appropriateness of the intangible assets identified and the valuation methodology applied and challenge key assumptions such as discount rate based on our sector expertise.

**Benchmarking assumptions:** Comparing the Group's assumptions to internally and externally derived data in relation to the key inputs of forecast attendance levels; ATP growth; SPP growth and discount rate.

**Historical comparisons:** Assessing the completeness of intangible assets identified against comparable market transactions. Challenging growth assumptions by comparing to recent historical trading performance. Assessing the accuracy of the US operation's forecasting process through comparison of previous forecasts to actual results and considering whether the forecasts used are the most appropriate basis upon which to value the acquired intangible assets. Assessing the adequacy of adjustments made to the valuation as a result of our challenge.

**Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the fair value assessment to changes in key assumptions reflected the risks inherent in the valuation of acquired property related tangible assets.

#### Our results:

We found the Group's valuation of the intangible assets and liabilities acquired to be acceptable.

### Accounting for the Group's investment in Digital Cinema Implementation Partners ('DCIP') (\$270.8m net asset value)

#### New 2018 risk

Refer to page 52 (Audit Committee Report), page 95 (accounting policy) and page 111 (financial disclosures).

#### Accounting judgement

As a result of the acquisition of Regal, the Group acquired an interest in DCIP. Management applied guidance in IFRS 11 to assess the level of control over and nature of the investee. The judgement over classification of the investee (Joint Venture vs Joint Operation) is complex as the operational arrangement between Regal and DCIP is dependent on and influenced by a number of connected legal agreements.

Specifically, the key judgement is establishing whether Cineworld, through Regal, has the right to assets and an enforceable obligation to provide resources sufficient for DCIP to settle its obligations on an ongoing basis. Given the complexity of the considerations in making this judgement and the potential impact on the reported results of Cineworld we consider this judgement to be a significant audit risk.

Our procedures included:

**Assessing principles:** Evaluating the contractual obligation in the context of IFRS 11 and challenging the Group's initial interpretation of the standard, challenging the Group's legal advisors' explanations of the extent of the Group's obligations and where required consulting with our internal technical experts to ensure the appropriateness of the interpretations.

**Assessing application:** Challenging the linkage between the enforceable minimum payments payable by Regal to DCIP dictated by the legal agreements and DCIP's ongoing obligations. Assessing if these payments demonstrate that DCIP is dependent on a continuous basis for Regal settling its liabilities, as required by the IFRS 11 Joint Arrangements' other facts and circumstances guidance.

**Historical Comparisons:** Challenging initial conclusions by considering how this arrangement was accounted for historically under US GAAP and how the nature of the relationship between DCIP; the lenders to DCIP and studios has changed over the contract period.

**Assessing transparency:** Assessing whether the Group's disclosures around the judgement taken and the impact of this on the Group's financial statements.

#### Our results

We found the group's conclusion on classification of its investment in DCIP as a joint operation to be appropriate.

Valuation of contract liabilities related to the National Cinema Media ('NCM') advertising arrangement \$680.8m

### New 2018 risk

Refer to page 52 (Audit Committee Report), page 96 (accounting policy) and page 114 (financial disclosures).

### Forecast-based valuation

As a result of the acquisition of Regal, the Group acquired an interest in NCM, a joint venture. As part of the business combination accounting, management has performed a fair value assessment of an assumed contract liability, being the Group's obligation to perform under the acquired NCM advertising arrangement. Valuing the deferred revenue acquired with the NCM advertising arrangement is complex as it involves estimating the fair value of the agreement to provide advertising space to NCM across all Regal screens nationally for the remaining 19 years of the contract.

In estimating the fair value management have made a number of key assumptions; these being the fair value of advertising revenue per attendance; the level of forecast attendance over the contract period and the discount rate.

There are no directly observable data points to support the assumptions made and the effect of these matters is that, as part of our risk assessment, we determined that the value of \$680.8m has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (Note 18) disclose the range estimated by the Group.

As a result we consider the estimate made to be an area of significant audit risk.

Our procedures included:

**Benchmarking assumptions:** Comparing the group's assumptions to internally and externally derived data in relation to the key inputs of advertising revenue per attendance; the forecast attendance levels and discount rate.

**Our valuation expertise:** Use of our own valuation specialists to challenge key assumptions such as discount rate and methodology based on our sector expertise.

**Historical comparisons:** Challenging growth assumptions by comparing to recent historical trading performance. Assessing the accuracy of the US operation's forecasting process through comparison of previous forecasts to actual results and considering whether the forecasts used are the most appropriate basis upon which to value the NCM advertising arrangement.

Challenging management to consider other potential comparators and to refine their assumptions by considering how different data points could be adjusted to become more directly comparable. Assessing the appropriateness of the advertising revenue per attendance to historic rates achieved by NCM and Digital Cinema Marketing ('DCM' - Cineworld's UK advertising Joint Venture).

**Assessing transparency:** Assessing whether the Group's disclosures around the sensitivity of the outcome of the fair value assessment to changes in key assumptions reflected the risks inherent in the valuation of the NCM advertising arrangement.

### Our results:

We found the Group's valuation of the NCM advertising arrangement acquired to be acceptable.



Parent Company financial statements: Valuation of investments \$3,339.1m (2017: \$1,216.1m) and recoverability of intercompany receivables \$738.8m (2017: \$490.9m)

Risk vs 2017 ↔

Refer to page 132 (accounting policy) and page 133 (financial disclosures).

#### Low risk, high value

The carrying amount of the Company's investments in subsidiaries held at cost less impairment and intercompany receivables represent 100% of the Company's total assets.

We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement.

However, due to their materiality in the context of the Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.

Our procedures included :

**Tests of detail:** Comparing a sample of the investment and intercompany receivables carrying value to the net assets of the investment to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying amount.

Comparing the value of the Company's investments implied by its market capitalisation to their carrying value.

**Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams, where possible, on that sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. Where the subsidiary is not subject to component audit for group reporting purposes or a statutory audit, we considered the results of analytical procedures performed by the Group team, on those subsidiaries' profits and net assets.

For the investments where the carrying amount exceeded the net asset value of the subsidiary, our procedures included evaluating key assumptions and methodology used in the value in use calculations of the underlying Cash Generating Units.

**Our sector experience:** Challenging the growth assumptions and cash flow projections using our knowledge and historic experience of the profitability of the underlying trading group.

**Benchmarking assumptions:** Comparing the Group's assumptions in the internally and externally derived data in relation to key inputs such as projected economic growth and discount rates.

**Sensitivity analysis:** Performing breakeven analysis on growth rates and discount rates.

#### Our results:

We found the Group's assessment of the recoverability of the investment in subsidiaries and intercompany receivables to be acceptable (2017: acceptable).

### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at \$15.0m (2017: \$6.7m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.3% (2017: 4.3%).

Materiality for the parent Company financial statements as a whole was set at \$5.0m (2017: \$5.0m), by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to net assets, and represents 0.1% of the Company's net assets (2017: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$750,000 (2017: \$335,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group operates in ten countries across the UK and Ireland, USA, Central and Eastern Europe and Israel. Of the Group's 11 (2017: 10) reporting components, we subjected 4 (2017: 4) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated on the following page.

The remaining 10% (2017: 25%) of total Group revenue, 15% (2017: 29%) of the total profits and losses that made up Group profit before tax and 5% (2017: 14%) of total Group assets is represented by 7 (2016: 6) reporting components. For these residual components, we performed specific procedures at one component (2017: nil) to address the risk of impairment of property, plant and equipment set out above. We also performed analytical procedures over financial information at a component level for all these components to re-examine our assessment that there were no significant risks of material misstatement within these.

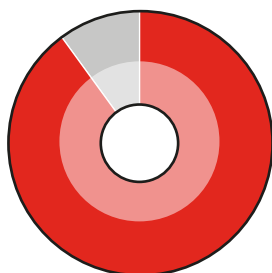
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the following component materialities, having regard to the mix of size and risk profile of the Group across the components:

- USA component \$10.0m (2017: n/a)
- UK component \$5.0m (2017: \$5.0m)
- Poland component \$3.7m (2017: \$3.7m)

# INDEPENDENT AUDITOR'S REPORT CONTINUED

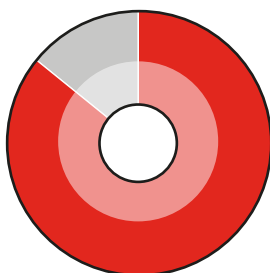
## Scoping and coverage

Group revenue 2018



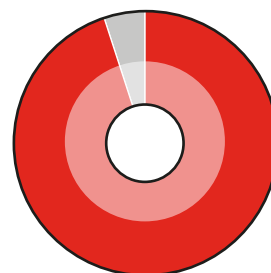
|                             |     |
|-----------------------------|-----|
| Group and component audited | 90% |
| Residual Components         | 10% |

Total profits and losses that made up Group profit before tax 2018



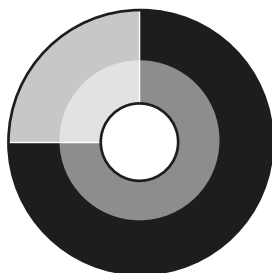
|                             |     |
|-----------------------------|-----|
| Group and component audited | 86% |
| Residual Components         | 14% |

Group total assets 2018



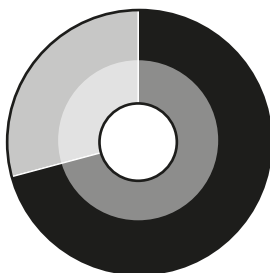
|                             |     |
|-----------------------------|-----|
| Group and component audited | 95% |
| Residual Components         | 5%  |

Group revenue 2017



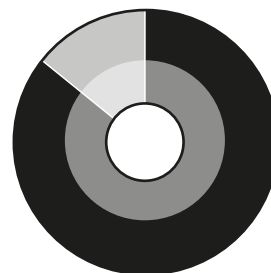
|                             |     |
|-----------------------------|-----|
| Group and component audited | 75% |
| Residual Components         | 25% |

Total profits and losses that made up Group profit before tax 2017



|                             |     |
|-----------------------------|-----|
| Group and component audited | 71% |
| Residual Components         | 29% |

Group total assets 2017



|                             |     |
|-----------------------------|-----|
| Group and component audited | 86% |
| Residual Components         | 14% |

Most of the audit work on 3 of the 4 audited components (2017: 3 of the 4 components) was performed by component auditors although our work over purchase price allocation, impairment of property, plant and equipment, impairment of goodwill, onerous lease provisions and taxation was performed centrally for the entire Group by the Group audit team. The Group team performs the audit of the parent Company and the Group consolidation which constitutes the fourth component.

The Group audit team visited the component locations in USA, UK and Israel (2017: UK and Poland) to assess the audit risks and strategy and gain an understanding of the local finance environment. Telephone conference meetings were held with each component auditor throughout the audit. At the planning stage, these meetings focused on the audit approach, while during the fieldwork and reporting stage they focused on the findings and observations reported to the Group team. Significant findings were discussed in more detail, and any further work deemed necessary by the Group team was then performed by the component auditor. The Group team inspected the audit files relating to each component audit.

### 4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 37 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

### 5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 27 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they 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 of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

#### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

### 6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### 7 Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 73, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### Irregularities - ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, GDPR law and regulatory capital and liquidity. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### 8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Hugh Green (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
28 March 2019



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

|  | Note | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|------|--|--|
| <b>Revenue</b>   | 3    | <b>4,119.1</b>                           | 1,147.0                                  |
| Cost of sales  |      | <b>(3,125.4)</b>                         | (844.3)                                  |
| <b>Gross profit</b>  |      | <b>993.7</b>                             | 302.7                                    |
| Other operating income   | 4    | <b>5.3</b>                               | 4.5                                      |
| Administrative expenses  |      | <b>(506.1)</b>                           | (142.2)                                  |
| <b>Operating profit</b>  | 5    | <b>492.9</b>                             | 165.0                                    |
| Reconciliation from operating profit to Adjusted EBITDA as defined in Note 1:                            |      |  |  |
| <b>Operating Profit</b>  |      | <b>492.9</b>                             | 165.0                                    |
| Share of profit of jointly controlled entity using equity accounting method net of tax                   |      | <b>27.4</b>                              | 0.1                                      |
| <b>Operating profit plus share of profit of joint ventures using equity accounting method net of tax</b> |      | <b>520.3</b>                             | 165.1                                    |
| Adjusted for:  |      |  |  |
| Depreciation and amortisation  | 5    | <b>320.5</b>                             | 87.8                                     |
| Onerous lease (releases) and charges   | 5    | <b>(1.5)</b>                             | 1.7                                      |
| Impairments and reversals of impairments   | 5    | <b>18.3</b>                              | (6.7)                                    |
| Transaction, reorganisation and other exceptional costs  | 5    | <b>58.8</b>                              | 10.0                                     |
| Losses / (Gains) on disposal of assets and subsidiaries  | 5    | <b>1.0</b>                               | (2.6)                                    |
| Excess cash distributions from jointly controlled entities   | 12   | <b>4.8</b>                               | -  |
| Share based payment charges  | 21   | <b>3.2</b>                               | 2.4                                      |
| <b>Adjusted EBITDA as defined in Note 1</b>  |      | <b>925.4</b>                             | 257.7                                    |
| Finance income   | 8    | <b>53.9</b>                              | 2.5                                      |
| Finance expenses   | 8    | <b>(225.2)</b>                           | (12.5)                                   |
| <b>Net finance costs</b>   |      | <b>(171.3)</b>                           | (10.0)                                   |
| Share of profit from jointly controlled entities using equity accounting method net of tax               |      | <b>27.4</b>                              | 0.1                                      |
| <b>Profit on ordinary activities before tax</b>  |      | <b>349.0</b>                             | 155.1                                    |
| Tax charge on profit on ordinary activities  | 9    | <b>(64.7)</b>                            | (25.6)                                   |
| <b>Profit for the year attributable to equity holders of the Group</b>                                   |      | <b>284.3</b>                             | 129.5                                    |
| Basic earning per share  | 6    | <b>22.5</b>                              | 21.1                                     |
| Diluted earning per share  | 6    | <b>22.4</b>                              | 21.0                                     |

The Notes on pages 88 to 129 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

|   | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|---|--|--|
| <b>Profit for the year attributable to equity holders of the Group</b>                                    | <b>284.3</b>                             | 129.5                                    |
| <i>Items that will not subsequently be reclassified to profit or loss</i>                                 |  |  |
| Equity investments at fair value through other comprehensive income<br>"FVOCI" – net change in fair value | <b>(6.9)</b>                             | -  |
| Income tax (charge)/credit recognised on other comprehensive income                                       | -  | -  |
| <i>Items that will subsequently be reclassified to profit or loss</i>                                     |  |  |
| Movement in fair value of cash flow hedge   | <b>(0.7)</b>                             | 1.7                                      |
| Movement in fair value of net investment hedge  | -  | (1.8)                                    |
| Foreign exchange translation (loss)/gain  | <b>(126.1)</b>                           | 117.4                                    |
| Income tax charge recognised within other comprehensive income  | <b>0.3</b>                               | 0.4                                      |
| Other comprehensive income for the year, net of income tax  | <b>(133.4)</b>                           | 117.7                                    |
| <b>Total comprehensive income for the year attributable to equity holders of the Group</b>                | <b>150.9</b>                             | <b>247.2</b>                             |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AT 31 DECEMBER 2018

|  | Note | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m | 31 December<br>2016<br>\$m |
|--|------|----------------------------|----------------------------|----------------------------|
| <b>Non-Current assets</b>  |      |                            |                            |                            |
| Property, plant and equipment                                      | 10   | 2,446.3                    | 701.3                      | 549.3                      |
| Goodwill   | 11   | 5,482.4                    | 911.0                      | 802.1                      |
| Other intangible assets  | 11   | 542.3                      | 63.8                       | 66.7                       |
| Investments in equity accounted investee                           | 12   | 308.5                      | 1.6                        | 1.2                        |
| Financial assets at FVOCI  | 14   | 7.5                        | -                          | -                          |
| Deferred tax asset   | 15   | 31.6                       | -                          | -                          |
| Other receivables  | 17   | 206.7                      | 7.8                        | 7.3                        |
| <b>Total non-current assets</b>                                    |      | <b>9,025.3</b>             | 1,685.5                    | 1,426.6                    |
| <b>Current assets</b>  |      |                            |                            |                            |
| Inventories  | 16   | 35.1                       | 13.9                       | 12.1                       |
| Assets classified as held for sale                                 | 10   | 2.5                        | 2.2                        | -                          |
| Trade and other receivables  | 17   | 324.5                      | 104.4                      | 91.3                       |
| Cash and cash equivalents  |      | 316.3                      | 91.0                       | 68.6                       |
| <b>Total current assets</b>  |      | <b>678.4</b>               | 211.5                      | 172.0                      |
| <b>Total assets</b>  |      | <b>9,703.7</b>             | 1,897.0                    | 1,598.6                    |
| <b>Current liabilities</b>   |      |                            |                            |                            |
| Interest-bearing loans, borrowings and other financial liabilities | 19   | (81.4)                     | (20.2)                     | (20.7)                     |
| Bank overdraft   | 19   | -                          | (0.6)                      | -                          |
| Trade and other payables   | 20   | (836.4)                    | (195.6)                    | (216.8)                    |
| Current taxes payable  |      | (51.0)                     | (28.6)                     | (12.9)                     |
| Provisions   | 22   | (90.6)                     | (4.7)                      | (11.4)                     |
| <b>Total current liabilities</b>                                   |      | <b>(1,059.4)</b>           | (249.7)                    | (261.8)                    |
| <b>Non-Current liabilities</b>                                     |      |                            |                            |                            |
| Interest-bearing loans, borrowings and other financial liabilities | 19   | (3,968.3)                  | (446.0)                    | (396.6)                    |
| Other payables and deferred income                                 | 20   | (965.6)                    | (129.1)                    | (94.5)                     |
| Provisions   | 22   | (277.2)                    | (10.6)                     | (10.7)                     |
| Employee benefits  | 21   | (3.2)                      | (3.1)                      | (2.3)                      |
| Deferred tax liabilities   | 15   | (9.7)                      | (13.8)                     | (15.7)                     |
| <b>Total non-current liabilities</b>                               |      | <b>(5,224.0)</b>           | (602.6)                    | (519.8)                    |
| <b>Total liabilities</b>   |      | <b>(6,283.4)</b>           | (852.3)                    | (781.6)                    |
| <b>Net Assets</b>  |      | <b>3,420.3</b>             | 1,044.7                    | 817.0                      |
| <b>Equity attributable to equity holders of the Group</b>          |      |                            |                            |                            |
| Share Capital  | 23   | 20.1                       | 5.0                        | 4.9                        |
| Share Premium  | 23   | 513.8                      | 548.1                      | 561.4                      |
| Foreign currency translation reserve                               | 23   | (263.4)                    | (137.3)                    | (254.7)                    |
| Merger reserve   | 23   | -                          | 407.4                      | 346.5                      |
| Hedging reserve  | 23   | (0.6)                      | (3.4)                      | (3.3)                      |
| Fair value reserve   | 23   | (6.9)                      | -                          | -                          |
| Retained earnings  |      | 3,157.3                    | 224.9                      | 162.2                      |
| <b>Total equity</b>  |      | <b>3,420.3</b>             | 1,044.7                    | 817.0                      |

These financial statements were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:

**Nisan Cohen**  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

|   | Share capital<br>\$m | Share premium<br>\$m | Merger reserve<br>\$m | Foreign currency translation reserve<br>\$m | Hedging reserve<br>\$m | Fair value reserve<br>\$m | Retained deficit/profit<br>\$m | Total<br>\$m   |
|---|----------------------|----------------------|-----------------------|---|------------------------|---------------------------|--------------------------------|----------------|
| <b>At 31 December 2016</b>  | 4.9                  | 561.4                | 346.5                 | (254.7)                                     | (3.3)                  | -                         | 162.2                          | 817.0          |
| <b>Profit for the year</b>  | -                    | -                    | -                     | -   | -                      | -                         | 129.5                          | 129.5          |
| <b>Other comprehensive income</b>   |                      |                      |                       |   |                        |                           |                                |                |
| <i>Items that will subsequently be reclassified to profit or loss</i>     |                      |                      |                       |   |                        |                           |                                |                |
| Movement in fair value of cash flow hedge                                 | -                    | -                    | -                     | -   | 1.7                    | -                         | -                              | 1.7            |
| Movement in net investment hedge  | -                    | -                    | -                     | -   | (1.8)                  | -                         | -                              | (1.8)          |
| Retranslation of foreign currency denominated subsidiaries                | -                    | -                    | -                     | 117.4                                       | -                      | -                         | -                              | 117.4          |
| Income tax charge recognised within other comprehensive income            | -                    | -                    | -                     | -   | -                      | -                         | 0.4                            | 0.4            |
| <b>Contributions by and distributions to owners</b>                       |                      |                      |                       |   |                        |                           |                                |                |
| Dividends   | -                    | -                    | -                     | -   | -                      | -                         | (69.7)                         | (69.7)         |
| Movements due to share-based compensation                                 | -                    | -                    | -                     | -   | -                      | -                         | 2.4                            | 2.4            |
| Issue of shares   | 0.1                  | (13.3)               | 60.9                  | -   | -                      | -                         | -                              | 47.7           |
| <b>At 31 December 2017</b>  | <b>5.0</b>           | <b>548.1</b>         | <b>407.4</b>          | <b>(137.3)</b>                              | <b>(3.4)</b>           | <b>-</b>                  | <b>224.9</b>                   | <b>1,044.7</b> |
| <b>Profit for the year</b>  | -                    | -                    | -                     | -   | -                      | -                         | 284.3                          | 284.3          |
| <b>Other comprehensive income</b>   |                      |                      |                       |   |                        |                           |                                |                |
| <i>Items that will not subsequently be reclassified to profit or loss</i> |                      |                      |                       |   |                        |                           |                                |                |
| Equity investments at FVOCI - net change in fair value                    | -                    | -                    | -                     | -   | -                      | (6.9)                     | -                              | (6.9)          |
| <i>Items that will subsequently be reclassified to profit or loss</i>     |                      |                      |                       |   |                        |                           |                                |                |
| Movement in fair value of cash flow hedge                                 | -                    | -                    | -                     | -   | (0.7)                  | -                         | -                              | (0.7)          |
| Settlement of net investment hedge  | -                    | -                    | -                     | -   | 3.5                    | -                         | -                              | 3.5            |
| Retranslation of foreign currency denominated subsidiaries                | -                    | -                    | -                     | (126.1)                                     | -                      | -                         | -                              | (126.1)        |
| Income tax charge recognised within other comprehensive income            | -                    | -                    | -                     | -   | -                      | -                         | 0.3                            | 0.3            |
| <b>Contributions by and distributions to owners</b>                       |                      |                      |                       |   |                        |                           |                                |                |
| Dividends   | -                    | -                    | -                     | -   | -                      | -                         | (122.8)                        | (122.8)        |
| Movements due to share-based compensation                                 | -                    | -                    | -                     | -   | -                      | -                         | 1.9                            | 1.9            |
| Capital Transfer (Note 23)  | -                    | (2,361.3)            | (407.4)               | -   | -                      | -                         | 2,768.7                        | -              |
| Issue of shares   | 15.1                 | 2,327.0              | -                     | -   | -                      | -                         | -                              | 2,342.1        |
| <b>Balance at 31 December 2018</b>  | <b>20.1</b>          | <b>513.8</b>         | <b>-</b>              | <b>(263.4)</b>                              | <b>(0.6)</b>           | <b>(6.9)</b>              | <b>3,157.3</b>                 | <b>3,420.3</b> |



# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2018

|   | Note | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|---|------|--|--|
| <b>Cash flow from operating activities</b>                      |      |  |  |
| Profit for the year   |      | 284.3                                    | 129.5                                    |
| Adjustments for:  |      |  |  |
| Financial income  | 8    | (53.9)                                   | (2.5)                                    |
| Financial expense   | 8    | 225.2                                    | 12.5                                     |
| Taxation  | 9    | 64.7                                     | 25.6                                     |
| Share of profit of equity accounted investee                    |      | (27.4)                                   | (0.1)                                    |
| <b>Operating profit</b>   |      | <b>492.9</b>                             | 165.0                                    |
| Depreciation and amortisation                                   | 5    | 320.5                                    | 87.8                                     |
| Share based payments charge                                     | 5    | 3.2                                      | 2.4                                      |
| Non-cash property, pension and remuneration charges             |      | (30.2)                                   | 1.7                                      |
| Impairments and reversals of impairments                        | 5    | 18.3                                     | (6.7)                                    |
| Movement in trade and other receivables                         |      | (54.9)                                   | (14.6)                                   |
| Movements in inventories  |      | 1.8                                      | (1.8)                                    |
| Movement in trade, other payables and deferred income           |      | (113.8)                                  | 18.1                                     |
| Movement in provisions and employee benefit obligations         |      | (2.0)                                    | (5.8)                                    |
| Loss on sale of assets  |      | 1.0                                      | (2.6)                                    |
| Exceptional transaction costs <sup>(1)</sup>                    |      | 50.6                                     | -  |
| <b>Cash generated from operations</b>                           |      | <b>687.4</b>                             | 243.5                                    |
| Tax paid  |      | (55.5)                                   | (15.4)                                   |
| <b>Net cash flows from operating activities</b>                 |      | <b>631.9</b>                             | 228.1                                    |
| <b>Cash flows from investing activities</b>                     |      |  |  |
| Interest received   |      | 0.9                                      | 0.7                                      |
| Acquisition of subsidiaries net of acquired cash <sup>(1)</sup> |      | (3,356.6)                                | (8.9)                                    |
| Acquisition of property, plant and equipment                    |      | (156.0)                                  | (133.2)                                  |
| Investment in joint ventures                                    |      | (78.4)                                   | -  |
| Acquisition of distribution rights and other intangibles        |      | (4.5)                                    | (3.9)                                    |
| Distributions received from equity accounted investees          |      | 32.2                                     | -  |
| Proceeds from sale of property, plant and equipment             |      | 3.3                                      | 2.5                                      |
| <b>Net cash flows from investing activities</b>                 |      | <b>(3,559.1)</b>                         | (142.8)                                  |
| <b>Cash flows from financing activities</b>                     |      |  |  |
| Proceeds from issue of shares                                   |      | 2,341.0                                  | 1.2                                      |
| Dividends paid to shareholders                                  |      | (122.9)                                  | (69.7)                                   |
| Interest paid   |      | (146.7)                                  | (8.5)                                    |
| Repayment of bank loans   |      | (2,895.0)                                | (14.4)                                   |
| Draw down of bank loans   |      | 3,982.6                                  | 22.4                                     |
| Payments of finance lease liabilities                           |      | (13.4)                                   | (5.7)                                    |
| <b>Net cash flows from financing activities</b>                 |      | <b>3,145.6</b>                           | (74.7)                                   |
| Net increase in cash and cash equivalents                       |      | 218.4                                    | 10.6                                     |
| Cash and cash equivalents at start of the period                |      | 91.0                                     | 68.6                                     |
| Exchanges losses on cash and cash equivalents                   |      | 6.9                                      | 11.8                                     |
| <b>Cash and cash equivalents at the end of period</b>           |      | <b>316.3</b>                             | 91.0                                     |

(1) Acquisition of subsidiaries net of acquired cash is inclusive of \$50.6m cash payments in respect of acquisition related costs, which represent part of the aggregate cashflows arising in obtaining control of Regal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (FORMING PART OF THE FINANCIAL STATEMENTS)

### 1. Accounting Policies

#### Basis of Preparation

Cineworld Group plc (the “Company”) is a company incorporated in the UK.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The Company has elected to prepare its Parent Company financial statements in accordance with UK standards including FRS 101 Reduced Disclosure Framework; these are presented on pages 130 to 139.

The accounting policies set out below have been applied consistently to all years presented in these Group financial statements.

Information regarding the Group’s business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive Officer’s Review on pages 4 to 9 and the Principal Risks and Uncertainties section on pages 23 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer’s Review on pages 31 to 35. In addition Note 24 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

#### Presentational Currency

Following the acquisition of Regal, which completed on 28 February 2018, the majority of the Group’s revenue and trading profit is now generated in US dollars. The Group elected to change its presentational currency to US dollars from 1 January 2018 to remove the largest driver of currency translation volatility and provide greater transparency of the underlying trading performance of the Group. A change in presentational currency is a change in accounting policy which is accounted for retrospectively. Financial information included in the consolidated financial statements for the year ended 31 December 2017 previously reported in sterling has been restated into US dollars using the procedures outlined below:

- Assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rates of exchange on the relevant balance sheet date;
- Non-US dollar income and expenditure were translated at the average rates of exchange prevailing for the relevant period; and
- Share capital, share premium and the other reserves were translated at the historic rates prevailing on the date of each transaction. The cumulative foreign currency translation reserve has been restated on the basis that the Group has reported in US dollars since 2004, the inception date of the Company.

#### 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 terminated and superseded with the new financing arrangements for the enlarged Group which consist of a USD and Euro term loan totalling \$4.1bn and a \$300.0m revolving credit facility. The revolving credit facility is subject to springing covenants which are triggered above 35% utilisation.

The enlarged Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the enlarged Group should be able to operate within the level of its new facilities for at least 12 months from the approval date of the financial statements, including compliance with the bank facility covenants. The Group therefore continues to adopt the going concern basis.

In the short-term, the impact of elevated political instability and economic uncertainty as a result of the UK referendum in respect of leaving the European Union (“Brexit”) may have an adverse impact on the operating environment of the UK&I operating segment. The Directors believe that as the Group operates in a number of territories outside of the UK, including the US which accounts for 71% of revenue for the year ended 31 December 2018 and no material goods are imported from or exported to the EU that the impact of the UK referendum on Brexit on the Group’s ability to continue as a going concern will be minimal.

#### Measurement Convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the Statement of Other Comprehensive Income.

#### Basis of Consolidation

##### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### Joint Arrangement

Under IFRS 11 ‘Joint Arrangements’ investments in Joint Arrangements are classified as either Joint Operations or Joint Ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the Joint Arrangement. Cineworld Group Plc has both Joint Operations and Joint Ventures.

## 1. Accounting Policies continued

### Basis of Consolidation continued

#### Joint Operations

Cineworld Group Plc recognises its share of any jointly held or incurred assets, liabilities, revenues and expenses of the joint operation. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 13.

#### Joint Ventures

Joint Ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions. Joint Ventures are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the total recognised income and expense and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

#### Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### Alternative performance measures

The Group uses alternative performance measures (APM's), which are not defined or specified under IFRS. The Group believes that these APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide comparable information across the Group. The Group uses the following APMs:

#### Adjusted EBITDA

Adjusted EBITDA as reported in the Consolidated Statement of Profit and Loss is defined as Operating profit plus share of profits from associates 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 excess cash distributions jointly controlled entities. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities. The Group believes including cash distributions from associates earned in the period is an appropriate reflection of the contribution that these investments make to the Group's operations and reflects the way these operations have been and will continue to be monitored.

#### Adjusted profit before tax

Adjusted profit before tax is calculated by adding back amortisation of intangible assets (excluding acquired film distribution rights), and certain nonrecurring or non-cash items and foreign exchange differences arising on the translation of non USD\$ denominated monetary assets and liabilities as set out in Note 6. Adjusted profit before tax is an internal measure used by management, as they believe it better reflects the underlying performance of the Group and therefore a more meaningful comparison of performance from period to period.

#### Constant currency

The Group measures some financial metrics on both a reported basis and at constant exchange rates. The constant exchange rate basis re-translates the prior period financial information at the current period exchange rate to eliminate the effect of exchange rate translation differences when comparing information year-on-year.

#### Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the Balance Sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Translation movements are recognised within the Statement of Other Comprehensive Income and in the foreign currency translation reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Accounting Policies continued

### Derivative Financial Instruments and Hedging

#### Cash Flow Hedges and Interest Swap Policy

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses). Amounts accumulated in equity are reclassified to finance costs within The Statement of Profit or Loss at the same time as the relating interest expense on hedged borrowings.

When a hedging instrument expires, sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Statement of Other Comprehensive Income immediately.

#### Net Investment Hedge

The Group uses net investment hedges to mitigate translation exposure on certain net investments in subsidiary companies. Changes in the fair values of hedging instruments are taken directly to the Statement of Other Comprehensive Income together with gains or losses on the foreign currency translation of the hedged investments. Until the investment is disposed all of these gains or losses are recognised in equity, within the hedging reserve.

### Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

#### Trade and Other Receivables

Trade and other receivables are measured at amortised cost. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash Flows.

#### Trade and Other Payables

Trade and other payables are measured at amortised cost.

#### Interest-Bearing Borrowings

Interest-bearing borrowings are measured at amortised cost less transaction costs. Any difference between cost and redemption value is recognised within the Consolidated Statement of Profit or Loss over the period of the borrowings on an effective interest basis.

### Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

All other leases are operating leases. These leased assets are not recognised in the Group's Balance Sheet.

### Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the Statement of Profit or Loss to write assets down to their residual values on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

|   |                                      |
|---|--------------------------------------|
| — Land and buildings: freehold properties   | 20 to 50 years                       |
| — Land and buildings: long leasehold properties including leasehold improvements  | Life of lease                        |
| — Land and buildings: short leasehold properties including leasehold improvements | 30 years or life of lease if shorter |
| — Plant and machinery   | 3 to 20 years                        |
| — Fixtures and fittings   | 3 to 20 years                        |

No depreciation is provided on land, assets held for sale or assets in the course of construction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation methods, residual values and the useful lives of all assets are reassessed annually.



## 1. Accounting Policies continued

### Business Combinations

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the Statement of Profit or Loss. Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with business combinations are expensed as incurred.

### Goodwill and Other Intangible Assets

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is not amortised but is tested annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Distribution rights that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Distribution rights are amortised by film title from the date of release of the film, at 50% in the first year of release and 25% in each of the two subsequent years. The estimated useful lives are as follows:

|                       |                             |
|-----------------------|-----------------------------|
| – Brands              | 10 years to indefinite life |
| – Distribution rights | 3 years                     |
| – Other intangibles   | 4 to 10 years               |

### Non-Current Assets Held for Sale

A non-current asset or a group of assets containing a non-current asset (a “disposal group”) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the Statement of Profit or Loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group’s accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

### Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the First-In, First-Out (“FIFO”) principle. Cost comprises expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, and net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

### Impairment

The carrying amounts of the Group’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. For goodwill assets that have an indefinite useful economic life, the recoverable amount is estimated at each Balance Sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other intangible assets in the unit on a pro rata basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## 1. Accounting Policies continued

### Calculation of Recoverable Amount

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

### Reversals of Impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount, including a change in fair value less costs to sell. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Equity investments:

Equity investments are held in entities which have not been classified as a subsidiary, associate or Joint Arrangement are accounted for at fair value. These equity investments are not held for trading purposes and represent strategic investments.

The Group has elected at initial recognition to present value changes through the Statement of Other Comprehensive Income within the revaluation reserve. Any dividends received from these equity investments will be recognised within The Statement of Profit or Loss.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

### Employee Benefits

#### Defined Contribution Pension Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit or Loss in the periods which services are rendered by employees.

#### Defined Benefit Pension Plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the Statement of Other Comprehensive Income. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Statement of Profit or Loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Share-Based Payment Transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes model and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights are also granted by the Group to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each Balance Sheet date and at settlement date and any changes in fair value are recognised in the Statement of Profit or Loss.

## 1. Accounting Policies continued

### Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. They are then recognised in the Statement of Profit or Loss as other income on a systematic basis over the useful life of the asset to which they relate.

### Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### Own Shares Held by Employee Benefit Trust (“EBT”)

Transactions of the Group sponsored EBT are included in the Group financial information. In particular, the trust’s purchase of shares in the Company are debited directly to equity.

### Revenue

Revenue represents the total amount receivable for goods sold and services provided, excluding sales related taxes and intra-group transactions. All the Group’s revenue is received from the sale of goods and services. The Group has transitioned to IFRS 15 under the cumulative effect method. Due to the nature of the goods and services sold by the Group and the nature of the sales transactions, the judgements made in identifying performance obligations and transaction prices have not had an impact on the revenue recognised. The recognition of revenue under each of the Group’s material revenue streams is as follows:

- Box office revenue is recognised on the date of the showing of the film the ticket sold relates to.
- Concessions revenue is recognised at point of sale.
- Advertising revenue is recognised at the point the advertisement is shown in cinemas.
- An element of Advertising revenue relates to the exhibitor services agreement “ESA” with National CineMedia “NCM” within the US operating segment. Revenue is recognised over the period the rights to advertising services are provided.
- Distribution revenue is recognised on the date of the showing of the film it relates to for cinema distribution, for other media the revenue is recognised over the life of the distribution contract.
- Unlimited card revenue is received annually or monthly in advance. When revenue from the Unlimited card is received annually in advance it is recognised on a straight-line basis over the year. Monthly Unlimited card revenue is recognised in the period to which it relates.
- The Group records proceeds from the sale of gift cards and other advanced bulk tickets in deferred income and recognises admissions or retail revenue when redeemed. Additionally, the Group recognises unredeemed gift cards and bulk tickets as other revenues based on a proportion of redemptions, which is estimated primarily based on the Group’s historical experience.
- The Group operates loyalty schemes under which customer under which rewards can be earned. The most significant of these is the “Regal Crown Club”. Members earn credits for each dollar spent at the Company’s theatres and can redeem such credits for tickets, concession items and other rewards. To determine the amount of revenue to defer upon issuance of credits to customers, an estimate is made of the value expected to be redeemed by customers for those credits. The estimates are based on rewards that have historically been offered under the loyalty program, which are considered to be representative of rewards offered in future. Upon redemption, deferred rewards are recognised as revenues in line with the revenue stream they are redeemed under.
- Other revenue is recognised in the period to which it relates.

### Other Operating Income

Other income represents rent receivable and profit on disposals of fixed assets. Rental income is recognised on a straight-line basis over the life of the lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Accounting Policies continued

### Expenses

#### Operating Lease Payments

Payments made under operating leases are recognised in the Statement of Profit or Loss. Lease incentives received are recognised on a straight-line basis over the lease term in the Statement of Profit or Loss as an integral part of the total lease expense. Where the Group has operating leases that contain minimum guaranteed rental uplifts over the life of the lease, the Group recognises the guaranteed minimum lease payment on a straight-line basis over the lease term.

#### Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### Landlord Contributions

The Group receives contributions from landlords for renovations at existing theatres. The Group records the payments received from landlords as deferred income and amortises the balance offsetting the rent expense over the initial term of the lease.

#### Net Financing Costs

Net financing costs comprise interest payable, amortisation of financing costs, unwind of discount on property provisions, unwind of discount of finance lease, unwind of discount on long term deferred income, finance lease interest, net gain loss on remeasurement of interest rate swaps, interest receivable on funds invested, foreign exchange gains and losses and finance costs for defined benefit pension schemes.

#### Sale and Leaseback

Where the Group enters into a sale and leaseback transaction whereby the risks and rewards of ownership of the assets concerned have not been substantially transferred to the lessor, any excess of sales proceeds over the previous carrying amount is deferred and recognised in the Statement of Profit or Loss over the lease term. At the date of the transaction the assets and the associated finance lease liabilities on the Group's Balance Sheet are stated at the lower of fair value of the leased assets and the present value of the minimum lease payments.

Where the Group enters into a sale and leaseback transaction whereby the risks and rewards of ownership of the assets concerned have been substantially transferred to the lessor, any excess of sales proceeds over the previous carrying amount is recognised in the Statement of Profit or Loss on completion of the transaction, when the sale and subsequent leaseback has been completed at fair value.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the Balance Sheet method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

During the year, the CCE&I operating segment as disclosed within the 31 December 2017 annual report was renamed to rest of the world "ROW". The Board of Directors review the operating results of Regal, United Artists and Edwards theatres brands separately to those of other territories within the Group. These results are reviewed within a newly established operating segment, "US".

## 1. Accounting Policies continued

### Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements and estimates made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are set out below.

#### Judgements

The key judgements are:

##### Finance and Operating Leases

When the Group enters into a new lease it is required to consider whether it bears substantially all the risks and rewards of the asset. The Group considers the requirements of IAS 17 "Leases" when determining whether it has an operating or finance lease.

For the majority of the Group's leases the determinations are straight forward and the material judgements only relate to a few lease arrangements. There are some instances within the Group where the lease arrangements can be up to 99 years in length and therefore a judgement has to be made as to whether the lease term is for the major part of the economic life of the asset where the asset is not transferred at the end of the lease. In addition for these leases, calculations have to be undertaken to ascertain whether, at inception of the lease, the present value of the minimum lease payments represent substantially all of the fair value of the leased asset. Determining the present value of the lease payments and the fair value of the leased asset requires elements of estimation and judgement in respect of the forward-looking discount rate and assessing if extension options are likely to be exercised in the lease contract. The outcome of whether a lease is an operating or a finance lease can have a material impact on the Group's Consolidated Statement of Financial Position. The property, plant and equipment and the finance lease liability on an individual lease could be a material asset based on a long lease and average annual rents. The Group has not early adopted the new lease accounting standard, IFRS 16 "Leases", which will be effective from 1 January 2019.

##### Classification of Joint Arrangements

When the Group acquires an interest in a Joint Arrangement it is required to assess the type of Joint Arrangement (that is, Joint Operation or Joint Venture) where the arrangement is structured through a separate vehicle, in accordance with IFRS 11. This assessment includes whether or not, together with the other parties involved, the Group has joint rights to the assets, and obligations for the liabilities of the arrangement.

As part of its acquisition of Regal the Group acquired a significant share in Digital Cinema Implementation Partners (DCIP), a Joint Arrangement with other US exhibitors set up to collect and administrate Virtual Print Fee (VPF) income received from studios to compensate exhibitors for their investment in digital projection equipment. Through long term leasing arrangements with DCIP, the exhibitors retain control over the projection equipment it has acquired. In addition, the Group determined that under the terms of the leasing arrangements and the associated minimum rental charges expected to be made, it has a joint obligation for the debt taken out by DCIP to finance the acquisition of the projection equipment. The Group concluded that, with joint control over these, the material assets and liabilities of DCIP, it should be classified as a Joint Operation. Details of the DCIPs financial performance and position can be found in Note 13.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Accounting Policies continued

### Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In applying the Group's accounting policies described above the Directors have identified that the following areas are the key estimates that have a significant impact on the amounts recognised in the financial statements.

### Business Combinations

On 28 February 2018 the Group acquired Regal, and when the Group undertakes a business combination, there are specific judgements which need to be made in respect of the acquisition accounting. This includes determining the fair value of the acquired total net identifiable assets, with particular reference to intangible assets, property, plant and equipment, acquired leases and any required provisions. Details of the acquisition undertaken by the Group during the year, including the specific judgements taken, are set out in Note 18.

### Impairment of Goodwill

The Group determines whether goodwill is impaired on at least an annual basis. This requires an estimate of the value in use of the cash generating unit "CGU's" to which the goodwill is allocated. To estimate the value in use, the Group estimates the expected future cash flows from the CGU and discounts them to their present value at a determined discount rate, which is appropriate for the country where the goodwill is allocated to.

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 11). The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs, and that the discount rate used is appropriate given the risks associated with the specific cash flows. Although based on the sensitivity analysis performed there is no impairment charge to goodwill, it is considered appropriate to disclose this as an area of significant estimation due to the size of the balance and the fact that it could change as a result of future events.

### Impairment of Tangible Fixed Assets

The Group determines whether tangible fixed assets are impaired when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGUs to which the tangible fixed assets are allocated, which is predominantly at the individual cinema site level. Where individual site's cash flows are not determined to be independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single CGU.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cinema and discount these to their net present value at a discount rate which is appropriate for the territory where the assets are held.

The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs and that the discount rates used are appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 10).

### Tax

In determining the income tax assets and liabilities recognised in the Consolidated Statement of Financial Position, the Group is required to estimate the outcome of multiple tax years remaining open to tax authority audit in each of the jurisdictions in which the Group has companies. The key judgement area for tax is the pricing of transactions between group companies in each of the jurisdictions in which the Group operates. In most countries transfer pricing law requires that taxable profits reflect arm's length pricing of intra-group transactions. Determining the arm's length price of a transaction and likelihood of challenge by local tax authorities is inherently subjective. In making estimates for tax provisioning purposes management make use of in-house tax expertise, comparable third party studies prepared by professional advisers and any other information available. In the event of an audit the Group may liaise with the relevant tax authorities to agree an outcome.

The tax liability provided for each tax year and jurisdiction is reassessed in each period to reflect our best estimate of the probable outcome in light of all the information available. A final position agreed with a tax authority or through expiry of a tax audit period could differ from the estimates made by us which would impact the current tax liability of \$51.0m (2017: \$28.6m) recognised in the Consolidated Statement of Financial Position.

Tax audits give additional visibility over maximum potential exposures as tax authorities' positions become clearer. Such developments further inform our best estimate in line with the approach above. Conversely where tax audit windows close without audits commencing this enables tax provisions to be released. The outcome of tax audits concluded in 2018 was consistent with the exposures provided at the previous balance sheet date. The amount of the current tax liability subject to significant uncertainty is \$21.4m (2017: \$9.4m) being the reduction in the liability if all filed returns are agreed without adjustment. Conversely the liability may increase due to the outcome of tax audits or changes in our assessment. Five years of tax returns remain open across multiple jurisdictions.

Deferred taxes are recognised in respect of temporary differences between the tax treatment and treatment within the financial statements for assets and liabilities. Deferred tax assets are only recognised to the extent they are expected to be recovered. Recoverability is assessed on an ongoing basis. Deferred tax is calculated at the substantively enacted rate which is expected to apply in the period the asset or liability is expected to be realised. Although the deferred tax asset recognised may not be material, there is still estimation involved in those potential tax assets which remain unrecognised. The nature and amounts of unrecognised potential tax assets are disclosed in Note 9 and these are material for the Group. Although the Group does not believe that there is a significant risk of a material adjustment to deferred tax assets within the next financial year, there is a significant uncertainty existing at each year end and therefore the Group's overall tax position could change within the next 12 months.

## 1. Accounting Policies continued

### Estimates continued

#### Revenue recognition – NCM Exhibitor Services Agreement (ESA)

The Group recognises advertising revenues when it satisfies a performance obligation by transferring a promised good or service to the customers. The advertising contracts with customers generally consist of a series of distinct periods of service, satisfied over time, to provide rights to advertising services. The Group's ESA with NCM includes a significant financing component due to the significant length of time between receiving the non-cash consideration and fulfilling the performance obligation. The Group receives the non-cash consideration in the form of common membership units from NCM, in exchange for rights to exclusive access to the Group's theatre screens and attendees through February 2037. The interest expense is calculated using discount rates implicit within the business combination.

### New Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year. The following standards, amendments and interpretations were adopted for the year ended 31 December 2018 and have not had a material impact on the consolidated financial statements of the group:

#### IFRS 9 Financial Instruments:

Impact of adoption of IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

#### Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. There has been no reclassification of previously held assets or liabilities as a result of this.

#### Derivatives and hedging activities

The interest rate swaps in place as at 31 December 2017 qualified as cash flow hedges under IFRS 9. The Group's risk management strategies and hedge accounting documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

As a result of the Regal transaction on 28 February 2018, the Sterling and Euro term loans held at 31 December 2017 were repaid. The interest rate swaps attached to the Sterling term loan was settled resulting in a profit of \$0.1m. Prior to resettlement on 28 February 2018 the fair value of these swaps recognised within the hedging reserve was \$0.1m. On settlement this was recycled from the hedging reserve.

A Euro term loan was drawn down as part of the new facilities and therefore the existing Euro interest rate swap remains in place to mitigate the Group's interest rate risk. As the swap was designated to the previous Euro term loan it no longer qualifies for hedge accounting. The fair value of this swap recognised within the hedging reserve prior to repayment on 28 February 2018 was \$0.1m and it was recycled to the Statement of Profit or Loss on this date. Any subsequent movements in fair value of this swap should be recognised directly within the profit or loss.

The existing Euro term loan was designated as a net investment hedge to mitigate translation exposure on certain net investments in subsidiary companies. On repayment of this loan on 28 February 2018 the value recognised in the hedging reserve in relation to this net investment hedge was \$3.5m. This portion of the hedging reserve was recycled to the profit or loss on repayment date.

#### Impairment of financial assets

The Group's trade receivables resulting from sales (31 December 2018: \$206.6m; 31 December 2017: \$39.9m) are subject to IFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under IFRS 9 for this class of asset. There was no material impact as a result in this change in impairment methodology.

#### Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

At 31 December 2017, the Group's loss allowance in place was \$0.5m. We have recalculated the loss allowance at 1 January 2018 as a result of adopting the new approach and the loss allowance in place remained at \$0.5m.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 1. Accounting Policies continued

#### IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. IFRS 15 now applies a five-step model for revenue recognition. In assessing the impact of the adoption of IFRS 15 management considered each revenue stream individually and applied the five step model in recognising revenue for each respective stream. On conclusion of this assessment, revenue for each revenue stream would be recognised at the same point as if the existing policy had remained in place and therefore there has been no changes to the Group's existing revenue recognition policy.

#### Forthcoming requirements

The following standards and interpretations have been issued but are not effective for the year ended 31 December 2018. These standards and interpretations have not been adopted early:

##### IFRS 16 Leases

|  |   |
|--|---|
| Nature of change                                     | IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.   |
| Impact   | The Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$5.4bn see Note 25. Of these commitments, immaterial amount is related to short-term leases and low value leases which will both be recognised on a straight-line basis as expense in the Statement of Profit or Loss. For the remaining lease commitments the Group expects to recognise right-of-use assets within a range of approximately \$2.8bn - \$3.2bn on 1 January 2019, lease liabilities within a range of \$2.9bn - \$3.2bn (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets within a range of \$10m - \$30m. Overall net assets will be approximately be between \$50m - \$150m lower, and net current assets will be between \$200m - \$300m lower due to the presentation of a portion of the liability as a current liability. The Group expects that net profit after tax will decrease by approximately a range of \$60m - \$120m for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase within a range of approximately \$500m - \$600m, as the operating lease payments were included in EBITDA, but the amortisation of the rightof-use assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase and financing cash flows decrease within a range of approximately \$500m - \$600m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year. |
| Mandatory application date/Date of adoption by Group | The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).  |

## 2. Operating Segments

The Group has determined that it has three operating segments: US, UK and Ireland and Rest of the World ("ROW"). These segments are made up of operating territories that are geographically close to one another and the principal format by which management makes operational decisions. The results for the US include the three cinema chain brands Regal, United Artists and Edwards theatres. UK and Ireland include the two cinema chain brands, Cineworld and Picturehouse. For the ROW they include the cinema chain brands Cinema City in Central and Eastern Europe territories and Yes Planet and Rav-Chen in Israel.

|  | US<br>\$m      | UK &<br>Ireland<br>\$m | ROW<br>\$m     | Total<br>\$m   |
|--|----------------|------------------------|----------------|----------------|
| <b>Year ended 31 December 2018</b>   |                |                        |                |                |
| Total revenues   | 2,933.1        | 697.7                  | 488.3          | 4,119.1        |
| Adjusted EBITDA as defined in Note 1   | 670.4          | 125.9                  | 129.1          | 925.4          |
| Operating profit   | 415.4          | 10.8                   | 66.7           | 492.9          |
| Net finance expense  | 165.3          | 5.4                    | 0.6            | 171.3          |
| Depreciation and amortisation  | 223.8          | 47.9                   | 48.8           | 320.5          |
| Onerous leases and other charges   | (5.5)          | 4.0                    | -              | (1.5)          |
| Impairments and reversals of impairments   | -              | 7.1                    | 11.2           | 18.3           |
| Transaction and reorganisation costs   | 3.3            | 53.3                   | 2.2            | 58.8           |
| Share of profit from jointly controlled entities using equity accounting method net of tax | 27.6           | (0.1)                  | (0.1)          | 27.4           |
| <b>Profit before tax</b>   | <b>288.5</b>   | <b>(5.3)</b>           | <b>65.8</b>    | <b>349.0</b>   |
| Non-current asset additions - property, plant and equipment <sup>(1)</sup>                 | 2,009.7        | 66.5                   | 25.7           | 2,101.9        |
| Non-current asset additions - intangible assets <sup>(1)</sup>                             | 506.0          | 1.3                    | 3.2            | 510.5          |
| Non-current asset additions - Goodwill <sup>(1)</sup>                                      | 4,302.8        | 323.0                  | -              | 4,625.8        |
| Investment in equity accounted investee  | 307.1          | 0.8                    | 0.6            | 308.5          |
| <b>Segmental total assets</b>  | <b>7,599.4</b> | <b>1,114.6</b>         | <b>989.7</b>   | <b>9,703.7</b> |
| <b>Segmental total liabilities</b>   | <b>5,969.8</b> | <b>186.1</b>           | <b>127.5</b>   | <b>6,283.4</b> |
| <b>Year ended 31 December 2017</b>   |                |                        |                |                |
| Total revenues   | -              | 675.5                  | 471.5          | 1,147.0        |
| Adjusted EBITDA as defined in Note 1   | -              | 130.8                  | 126.9          | 257.7          |
| Operating profit   | -              | 66.8                   | 98.2           | 165.0          |
| Net finance expense / (income)   | -              | 12.2                   | (2.2)          | 10.0           |
| Depreciation and amortisation  | -              | 42.2                   | 45.6           | 87.8           |
| Onerous leases and other charges   | -              | 1.7                    | -              | 1.7            |
| Impairments and reversals of impairments   | -              | (6.3)                  | (0.4)          | (6.7)          |
| Transaction and reorganisation costs   | -              | 8.9                    | 1.1            | 10.0           |
| <b>Profit before tax</b>   | <b>-</b>       | <b>54.7</b>            | <b>100.4</b>   | <b>155.1</b>   |
| Non-current asset additions - property, plant and equipment                                | -              | 60.4                   | 91.4           | 151.8          |
| Non-current asset additions - intangible assets  | -              | 78.0                   | 14.0           | 92.0           |
| Investment in equity accounted investee  | -              | 0.9                    | 0.7            | 1.6            |
| <b>Segmental total assets</b>  | <b>-</b>       | <b>871.4</b>           | <b>1,025.6</b> | <b>1,897.0</b> |
| <b>Segmental total liabilities</b>   | <b>-</b>       | <b>751.5</b>           | <b>100.8</b>   | <b>852.3</b>   |

(1) Includes additions through acquisition.

### Pro-Forma reconciliation

|                        | 2018                     |   |   |                         | 2017                     |   |   |                         |
|------------------------|--------------------------|---|---|-------------------------|--------------------------|---|---|-------------------------|
|                        | Statutory Results<br>\$m | Pro-forma Adjustments<br>\$m <sup>(1)</sup> | Adjustments for Acquisition Accounting<br>\$m | Adjusted Results<br>\$m | Statutory Results<br>\$m | Pro-forma Adjustments<br>\$m <sup>(1)</sup> | Adjustments for Acquisition Accounting<br>\$m | Adjusted Results<br>\$m |
| Box office Revenue     | 2,496.6                  | 368.4                                       | -   | 2,865.0                 | 712.7                    | 1,988.6                                     | -   | 2,701.3                 |
| Concession Revenue     | 1,145.1                  | 167.8                                       | -   | 1,312.9                 | 284.1                    | 941.8                                       | -   | 1,225.9                 |
| Other income           | 477.4                    | 51.1  | 5.0   | 533.5                   | 150.2                    | 287.4                                       | 29.7  | 467.3                   |
| <b>Total Revenue</b>   | <b>4,119.1</b>           | <b>587.3</b>                                | <b>5.0</b>                                    | <b>4,711.4</b>          | <b>1,147.0</b>           | <b>3,217.8</b>                              | <b>29.7</b>                                   | <b>4,394.5</b>          |
| <b>Adjusted EBITDA</b> | <b>925.4</b>             | <b>141.0</b>                                | <b>6.0</b>                                    | <b>1,072.4</b>          | <b>257.7</b>             | <b>686.3</b>                                | <b>35.9</b>                                   | <b>979.9</b>            |

(1) The pro-forma adjustments reflect the performance of Regal reported under IFRS. For 2018 the adjustments represent the period from 1 January to 28 February.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 3. Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following territories:

|                           | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|---------------------------|--|--|
| <i>Revenue by country</i> |  |  |
| United States             | 2,933.1                                  | -  |
| United Kingdom & Ireland  | 697.7                                    | 675.5                                    |
| Poland                    | 157.3                                    | 151.4                                    |
| Israel                    | 94.3                                     | 100.0                                    |
| Hungary                   | 80.9                                     | 75.3                                     |
| Romania                   | 71.9                                     | 68.8                                     |
| Czech Republic            | 53.9                                     | 44.4                                     |
| Bulgaria                  | 16.9                                     | 18.0                                     |
| Slovakia                  | 13.1                                     | 13.6                                     |
| <b>Total revenue</b>      | <b>4,119.1</b>                           | <b>1,147.0</b>                           |

Revenue per operating segment can be broken down by product and service provided as follows:

#### United States

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| <i>Revenue by product and service provided</i> |  |  |
| Box office                                     | 1,762.8                                  | -  |
| Retail   | 851.3                                    | -  |
| Other  | 319.0                                    | -  |
| <b>Total revenue</b>                           | <b>2,933.1</b>                           | <b>-</b>                                 |

#### UK and Ireland

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| <i>Revenue by product and service provided</i> |  |  |
| Box office                                     | 453.5                                    | 444.4                                    |
| Retail   | 167.5                                    | 161.9                                    |
| Other  | 76.7                                     | 69.2                                     |
| <b>Total revenue</b>                           | <b>697.7</b>                             | <b>675.5</b>                             |

#### ROW

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| <i>Revenue by product and service provided</i> |  |  |
| Box office                                     | 280.3                                    | 268.3                                    |
| Retail   | 126.4                                    | 122.2                                    |
| Other  | 81.6                                     | 81.0                                     |
| <b>Total revenue</b>                           | <b>488.3</b>                             | <b>471.5</b>                             |

Timing of revenue recognition is split as follows:

|                      | 2018           |              |              |                | 2017     |              |              |                |
|----------------------|----------------|--------------|--------------|----------------|----------|--------------|--------------|----------------|
|                      | US \$m         | UK \$m       | ROW \$m      | Total \$m      | US \$m   | UK \$m       | ROW \$m      | Total \$m      |
| At a point in time   | 2,761.5        | 695.8        | 459.2        | 3,916.5        | -        | 674.8        | 440.6        | 1,115.4        |
| Over time            | 171.6          | 1.9          | 29.1         | 202.6          | -        | 0.7          | 30.9         | 31.6           |
| <b>Total Revenue</b> | <b>2,933.1</b> | <b>697.7</b> | <b>488.3</b> | <b>4,119.1</b> | <b>-</b> | <b>675.5</b> | <b>471.5</b> | <b>1,147.0</b> |

Box office, retail and other revenue are recognised at point of sale. Revenue generated from distribution rights and vendor marketing programs is recognised over the contract period with a maximum duration of 60 months or as rebates are earned. Revenue generated from the NCM ESA in the US is recognised over time as rights to advertising services are provided. The duration of this agreement is until 2037. The contract liability in relation to the revenue recognised over time relates to the deferred income set out in Note 20. \$22.5m (2017: \$19.4m) revenue recognised in the year relates to carried-forward contract liabilities.



#### 4. Other Operating Income

|                                     | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|-------------------------------------|--|--|
| Rental income                       | 5.3                                      | 4.5                                      |
| <b>Total other operating income</b> | <b>5.3</b>                               | <b>4.5</b>                               |

#### 5. Operating Profit

Included in operating profit for the year are the following:

|   | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|---|--|--|
| Depreciation  | 289.7                                    | 72.4                                     |
| Impairments   | 18.3                                     | 0.5                                      |
| Reversal of impairments                                 | -  | (7.2)                                    |
| Amortisation of intangibles                             | 30.8                                     | 15.4                                     |
| Onerous lease charges and releases                      | (1.5)                                    | 1.7                                      |
| Transaction, reorganisation and other exceptional costs | 58.8                                     | 10.0                                     |
| Loss / (gain) on disposal of assets and subsidiaries    | 1.0                                      | (2.6)                                    |
| Hire of other assets - operating leases                 | 527.5                                    | 121.3                                    |

##### Onerous leases and other charges

In 2018 there is a net release of \$1.5m on onerous lease provisions as a result of the current year utilisation of \$6.0m, offset with charges of \$4.5m in relation to three loss making sites in the UK and one site in the ROW.

##### Loss / (gain) on disposal of assets and subsidiaries

Of the loss on disposal recognised in 2018, \$0.6m is from the disposal of assets within the US, \$nil from the UK and \$0.4m from the ROW.

On 7 February 2017 the Group sold 100% of the shares in Picturehouse Entertainment Limited, a company which operated an element of the Group's distribution arm in the UK, resulting in a gain of \$2.6m.

##### Transactional, reorganisation and other exceptional costs

Transaction costs of \$52.1m were recognised during the year in relation to the acquisition of Regal. Expenses of \$2.8m were incurred in relation to the temporary closure of three sites in the US due to severe weather conditions. Expenses of \$3.9m were incurred in relation to the termination of contracts, restructuring and redundancy.

In 2017 transaction, reorganisation and other exceptional costs included \$0.8m incurred on the acquisition of six sites from Empire Cinemas Limited. Expenses \$3.6m were incurred in respect of the Regal acquisition, as well as \$1.0m in relation to the termination of contracts and \$4.6m relating to restructuring and redundancy costs.

The total remuneration of the Group auditor, KPMG LLP, and its affiliates for the services to the Group is analysed below:

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| Auditor's remuneration:  |  |  |
| Group - audit  | 2.2                                      | 0.7                                      |
| Company - audit  | -  | -  |
| Amounts received by auditors and their associates in respect of: |  |  |
| - Audit of financial statements pursuant to legislation          | 2.2                                      | 0.7                                      |
| - Audit related assurance services                               | 0.1                                      | 0.1                                      |
| - Other advisory services  | -  | 1.7                                      |
| - All other services   | -  | -  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 6. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, after excluding the weighted average number of non-vested ordinary shares held by the Employee Benefit Trust.

Adjusted earnings per share is calculated in the same way except that the profit for the year attributable to ordinary shareholders is adjusted by adding back the amortisation of intangible assets recognised as part of business combinations and other one-off income or expense and then adjusting for the tax impact on those items which is calculated at the effective tax rate for the current year. The performance of adjusted earnings per share is used to determine awards to Executive Directors under the Group Performance Share Plan ("PSP") and Long Term Incentive Plan ("LTIP"). Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of any non-vested ordinary shares held by the Employee Benefit Trust and after adjusting for the effects of dilutive options.

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| Earnings attributable to ordinary shareholders                         | 284.3                                    | 129.5                                    |
| Adjustments:   |  |  |
| Amortisation of intangible assets <sup>(1)</sup>                       | 25.0                                     | 6.6                                      |
| Onerous lease cost and other charges                                   | (1.5)                                    | 1.7                                      |
| (Impairments) and reversals of impairments                             | 18.3                                     | (6.7)                                    |
| Transaction and reorganisation costs                                   | 58.8                                     | 10.0                                     |
| Gain on disposal of assets and subsidiaries                            | 1.0                                      | (2.6)                                    |
| Excess cash distributions from jointly controlled entities             | 4.8                                      | -  |
| Share based payment charges  | 3.2                                      | 2.4                                      |
| Recycle of fair value on hedging reserve                               | 3.5                                      | -  |
| Impact of foreign exchange translation gains and losses <sup>(2)</sup> | (45.1)                                   | -  |
| Adjusted earnings  | 352.3                                    | 140.9                                    |
| Tax effect of above items  | (7.0)                                    | (1.9)                                    |
| <b>Adjusted profit after tax</b>                                       | <b>345.3</b>                             | <b>139.0</b>                             |

|   | Year ended<br>31 December<br>2018<br>Total | Year ended<br>31 December<br>2017<br>Total |
|---|--|--|
| Weighted average number of shares in issue (prior to rights adjustment) | -  | 271.4                                      |
| Weighted average number of shares in issue (rights adjustment)          | 1,265.5                                    | 612.4                                      |
| Basic earnings per share denominator (prior to rights adjustment)       | -  | 271.4                                      |
| Basic earnings per share denominator (rights adjusted)                  | 1,265.5                                    | 612.4                                      |
| Dilutive options (prior to rights adjustment)                           | -  | 1.4  |
| Dilutive options (rights adjusted)                                      | 2.8  | 3.2  |
| Diluted earnings per share denominator (prior to rights adjustment)     | -  | 272.8                                      |
| Diluted earnings per share denominator (rights adjusted)                | 1,268.3                                    | 615.6                                      |
| Shares in issue at year end   | 1,371.0                                    | 613.8                                      |

|  | Cents | Cents |
|--|-------|-------|
| Basic earnings per share (rights adjusted) <sup>(3)</sup>            | 22.5  | 21.1  |
| Diluted earnings per share (rights adjusted) <sup>(3)</sup>          | 22.4  | 21.0  |
| Adjusted basic earnings per share (rights adjusted) <sup>(3)</sup>   | 27.3  | 22.7  |
| Adjusted diluted earnings per share (rights adjusted) <sup>(3)</sup> | 27.2  | 22.6  |
| Basic earnings per share (prior to rights adjustment)                | -     | 47.7  |
| Diluted earnings per share (prior to rights adjustment)              | -     | 47.5  |
| Adjusted basic earnings per share (prior to rights adjustment)       | -     | 51.2  |
| Adjusted diluted earnings per share (prior to rights adjustment)     | -     | 51.0  |

(1) Amortisation of intangible assets includes amortisation of the fair value placed on brands, customer lists, distribution relationships, and advertising relationships as a result of the Cinema City and Regal business combination. It does not include amortisation of purchased distribution rights (which totalled \$25.0m (2017: \$6.6m)).

(2) Net foreign exchange gains and losses included within earnings comprises \$47.0m foreign exchange loss recognised on translation of the Euro term loan at 31 December 2018. \$1.9m was eliminated in respect of foreign exchange losses. No such gains or losses were recognized in 2017 as a result of net investment hedge taken out in 2016 in respect of the previous Euro term loan held.

(3) In accordance with IAS 33 basic and diluted EPS figures have been restated to reflect the bonus element Rights Issue described in Note 18.

## 7. Staff Numbers and Costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

|             | Number of staff |        |
|-------------|-----------------|--------|
|             | 2018            | 2017   |
| Head office | 1,239           | 658    |
| Cinemas     | 36,402          | 9,574  |
|             | <b>37,641</b>   | 10,232 |

Included in the average number of persons employed by the Group are part-time employees. No distinction is made between full-time and part-time employees in the analysis above.

The aggregate payroll costs of these persons were as follows:

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| Wages and salaries                         | 447.1                                    | 143.9                                    |
| Social security costs                      | 54.5                                     | 13.3                                     |
| Other pension costs – defined contribution | 2.8                                      | 2.7                                      |
| Share-based payments                       | 3.2                                      | 3.0                                      |
|  | <b>507.6</b>                             | 162.9                                    |

See pages 55 to 66 for details of Directors' remuneration.

## 8. Finance Income and Expense

|   | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|---|--|--|
| Interest income                               | 2.3                                      | 0.8                                      |
| Other finance income                          | 4.6                                      | -  |
| Net foreign exchange gain                     | 47.0                                     | 1.7                                      |
| <b>Finance income</b>                         | <b>53.9</b>                              | 2.5                                      |
| Interest expense on bank loans and overdrafts | 146.7                                    | 8.1                                      |
| Amortisation of financing costs               | 11.0                                     | 1.9                                      |
| Settlement of net investment hedge            | 3.5                                      | -  |
| Unwind of discount on onerous lease provision | 0.8                                      | 0.2                                      |
| Unwind of discount on finance lease liability | 6.9                                      | 1.5                                      |
| Unwind of discount on market rent provision   | 10.2                                     | -  |
| Unwind of discount of deferred revenue        | 44.2                                     | -  |
| Net foreign exchange loss                     | 1.9                                      | 0.8                                      |
| <b>Finance expense</b>                        | <b>225.2</b>                             | 12.5                                     |
| <b>Net finance costs</b>                      | <b>171.3</b>                             | 10.0                                     |

## Recognised Within Other Comprehensive Income

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| Movement in fair value of interest rate swap | (0.7)                                    | 1.7                                      |
| Foreign exchange translation (loss) / gain   | (126.1)                                  | 117.4                                    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 9. Taxation

#### Recognised in the Income Statement

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| <b>Current tax expense</b>                             |  |  |
| Current year   | 77.3                                     | 31.0                                     |
| Adjustments in respect of prior years                  | (4.6)                                    | (1.4)                                    |
| <b>Total current tax expense</b>                       | <b>72.7</b>                              | 29.6                                     |
| <b>Deferred tax expense</b>                            |  |  |
| Current year   | (11.1)                                   | (3.4)                                    |
| Adjustments in respect of prior years                  | 5.8                                      | (0.6)                                    |
| Adjustments from change in tax rates                   | (2.7)                                    | -  |
| <b>Total tax charge in statement of profit or loss</b> | <b>64.7</b>                              | 25.6                                     |

#### Reconciliation of Effective Tax Rate

|  | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|--|--|--|
| <b>Profit before tax</b>                                     | <b>349.0</b>                             | 155.1                                    |
| Tax using the UK corporation tax rate of 19.0% (2017 19.25%) | 66.4                                     | 29.9                                     |
| Differences in overseas tax rates                            | 5.3                                      | (3.1)                                    |
| Permanently disallowed depreciation                          | 1.9                                      | 1.5                                      |
| Foreign exchange in investments                              | (19.4)                                   | -  |
| Permanently disallowed exceptional costs                     | 7.7                                      | -  |
| Other permanent differences                                  | 3.8                                      | 2.0                                      |
| Adjustment in respect of prior years                         | 1.2                                      | (2.1)                                    |
| Increase in unrecognised deferred tax assets                 | -  | (1.8)                                    |
| Effect of change in statutory rate of deferred tax           | (2.2)                                    | (0.8)                                    |
| <b>Total tax charge in statement of profit or loss</b>       | <b>64.7</b>                              | 25.6                                     |

The rate impact arising from foreign exchange in investments represents the one-off impact of a tax deductible foreign exchange loss capitalised into the value of investment acquisitions.

During the year there was a tax credit of \$0.3m, recognised directly in the Statement of Other Comprehensive Income. This related to share remuneration schemes.

#### Factors that May Affect Future Tax Charges

The Group expects that the tax rate in the future will be affected by the geographical mix of profits and the different tax rates that will apply to those profits.

The UK tax rate will be reduced to 17.0% in April 2020.

No deferred tax liability has been recognised on \$227.8m of taxable temporary differences related to investments, as the Group can control the timing of the reversal and it is probable that no reversal will happen in the foreseeable future.

No withholding tax or other taxes are imposed under local tax laws on the distribution of unremitted earnings from other subsidiaries resident in the majority of the Group's jurisdictions.

At 31 December 2018 the group had unrecognised tax assets relating to the following temporary differences:

- UK capital losses of \$9.0m with no expiry date;
- US tax losses of \$60.4m with no expiry date

In October 2017 the European Commission opened a State Aid investigation into the UK's Controlled Foreign Company regime. A decision is expected in 2019. In common with other UK based international companies the Group applies this regime. The Group is monitoring developments in relation to the investigation and does not consider any provision is required at 31 December 2018.

## 10. Property, Plant and Equipment

|  | Land and buildings<br>\$m | Plant and machinery<br>\$m | Fixtures and fittings<br>\$m | Assets in the course of construction<br>\$m        | Total<br>\$m                                       |
|--|---------------------------|----------------------------|------------------------------|--|--|
| <b>Cost</b>  |                           |                            |                              |  |  |
| <b>Balance at 31 December 2016</b>                       | 313.3                     | 205.7                      | 268.7                        | 10.8   | 798.5  |
| Additions  | 22.0                      | 22.8                       | 60.1                         | 44.1   | 149.0  |
| Additions due to acquisition                             | 1.5                       | 0.8                        | 0.5                          | -  | 2.8  |
| Disposals  | (5.0)                     | (8.5)                      | (4.7)                        | -  | (18.2)   |
| Transfers to assets classified as held for sale          | (2.2)                     | -                          | -                            | -  | (2.2)  |
| Transfers  | 10.8                      | 6.0                        | 23.3                         | (40.1)   | -  |
| Effects of movement in foreign exchange                  | 33.4                      | 33.2                       | 43.7                         | 1.1  | 111.4  |
| <b>Balance at 31 December 2017</b>                       | <b>373.8</b>              | <b>260.0</b>               | <b>391.6</b>                 | <b>15.9</b>  | <b>1,041.3</b>                                     |
| Additions due to acquisition                             | 726.8                     | 905.7                      | 229.2                        | 22.1   | 1,883.8  |
| Additions  | 55.3                      | 84.0                       | 47.0                         | 31.9   | 218.2  |
| Disposals  | (16.4)                    | (33.5)                     | (6.9)                        | (2.8)  | (59.6)   |
| Transfer of assets held for sale                         | (2.4)                     | -                          | -                            | -  | (2.4)  |
| Transfers  | 4.0                       | 17.1                       | 10.8                         | (31.9)   | -  |
| Effects of movement in foreign exchange                  | (22.8)                    | (19.2)                     | (27.2)                       | (0.2)  | (69.4)   |
| <b>Balance at 31 December 2018</b>                       | <b>1,118.3</b>            | <b>1,214.1</b>             | <b>644.5</b>                 | <b>35.0</b>  | <b>3,011.9</b>                                     |
| <b>Accumulated depreciation and impairment</b>           |                           |                            |                              |  |  |
| <b>Balance at 31 December 2016</b>                       | 64.8                      | 90.4                       | 94.0                         | -  | 249.2  |
| Charge for the period                                    | 13.4                      | 29.6                       | 29.4                         | -  | 72.4   |
| Disposals  | (7.6)                     | (8.3)                      | (4.3)                        | -  | (20.2)   |
| Effects of movement in foreign exchange                  | 9.9                       | 18.9                       | 16.9                         | -  | 45.7   |
| Impairments  | 0.2                       | 0.1                        | 0.1                          | -  | 0.4  |
| Reversals of impairments                                 | (5.4)                     | (1.2)                      | (0.9)                        | -  | (7.5)  |
| <b>Balance at 31 December 2017</b>                       | <b>75.3</b>               | <b>129.5</b>               | <b>135.2</b>                 | <b>-</b>   | <b>340.0</b>                                       |
| Charge for the period                                    | 42.6                      | 179.3                      | 67.8                         | -  | 289.7  |
| Disposals  | (15.8)                    | (32.8)                     | (6.4)                        | -  | (55.0)   |
| Effects of movement in foreign exchange                  | (6.6)                     | (10.4)                     | (10.4)                       | -  | (27.4)   |
| Impairments  | 12.1                      | 2.5                        | 3.7                          | -  | 18.3   |
| <b>Balance at 31 December 2018</b>                       | <b>107.6</b>              | <b>268.1</b>               | <b>189.9</b>                 | <b>-</b>   | <b>565.6</b>                                       |
| Net book value   |                           |                            |                              |  |  |
| At 31 December 2017                                      | 298.5                     | 130.5                      | 256.4                        | 15.9   | 701.3  |
| <b>At 31 December 2018</b>                               | <b>1,010.7</b>            | <b>946.0</b>               | <b>454.6</b>                 | <b>35.0</b>  | <b>2,446.3</b>                                     |
| <b>Net book value of assets held under finance lease</b> |                           |                            |                              |  |  |
|  |                           |                            |                              | <b>Year ended<br/>31 December<br/>2018<br/>\$m</b> | <b>Year ended<br/>31 December<br/>2017<br/>\$m</b> |
| Opening net book value                                   |                           |                            |                              | <b>29.4</b>  | 28.1   |
| Additions due to acquisition                             |                           |                            |                              | <b>85.7</b>  | -  |
| Depreciation charge                                      |                           |                            |                              | <b>(17.4)</b>                                      | (1.3)  |
| Effects of movement in foreign exchange                  |                           |                            |                              | <b>(1.3)</b>                                       | 2.6  |
| <b>Closing net book value</b>                            |                           |                            |                              | <b>96.4</b>  | 29.4   |

Interest of \$2.1m (2017: \$1.2m) has been capitalised during the period which relates to the construction of new sites.

### Impairment

Impairments recognised during 2018 totalled \$nil within the US operating segment, \$7.1m within the UK operating segment and \$11.2m within the ROW. Impairments recognised during 2018 were in relation to six sites in the UK and two sites in the ROW, whose recoverable amount was less than carrying amount.

Impairments recognised during 2017 totalled \$0.4m within the UK and Ireland operating segment: \$0.1m related to capital expenditure on cinema sites for which onerous lease provisions were in place, the remaining \$0.3m related to the write off of residual assets held at sites which were closed during the year impairments for ROW were \$0.1m.

The Group determines whether tangible fixed assets are impaired when indicators of impairment exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGUs to which the tangible fixed assets are allocated, which is predominantly at the individual cinema site level. Where individual sites' cash flows are determined not to operate independently from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single CGU.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 10. Property, Plant and Equipment continued

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each CGU and discount these to their net present value at a pre-tax discount rate which is appropriate for the territory where the assets are held. A table summarising the rates used, which are derived from externally benchmarked data, is set out below:

|                | Year ended<br>31 December<br>2018<br>% | Year ended<br>31 December<br>2017<br>% |
|----------------|--|--|
| United States  | <b>12.43</b>                           | –                                      |
| United Kingdom | <b>10.02</b>                           | 9.90                                   |
| Poland         | <b>12.41</b>                           | 12.41                                  |
| Israel         | <b>11.73</b>                           | 11.93 <sup>(1)</sup>                   |
| Hungary        | <b>10.78</b>                           | 10.68                                  |
| Romania        | <b>11.70</b>                           | 11.36                                  |
| Czech Republic | <b>10.92</b>                           | 10.92                                  |
| Bulgaria       | <b>10.22</b>                           | 10.22                                  |
| Slovakia       | <b>11.57</b>                           | 11.56                                  |

(1) For sites which generate significant rental cash flows in addition to cinema cash flows a separate discount rate of 8.0% (2017: 8.0%) was applied to rental cash flows in to reflect the specific risks related to them.

In order to determine whether indicators of impairment exist at a CGU, the value in use is calculated using expected future cash flows, which are based on actual cash flows for the year ended 2018. These are extrapolated using the assumptions used in the impairment model over the remaining lease term of the CGU. Where indicators of impairment are identified a CGU is considered at-risk of impairment. An impairment trigger is only identified for newly established sites in their first two years of operation if it is performing significantly below its investment case assumptions and despite any remedial actions management no longer consider such plans to be achievable.

Following initial review for impairment indicators and the recognition of the impairment charges described above, four CGUs, two in the UK and two in the ROW, were identified as at-risk of impairment.

For at-risk CGUs, a more detailed cash flow forecast is used, the expected cash flows are based on financial budgets approved by the Board of Directors covering a one year period. Cash flows beyond the first period are extrapolated using assumptions specific to the individual CGU over the projected life of the lease, including any expected lease renewals or extensions.

For impairment procedures performed in prior years, the expected cash flows are based on financial budgets approved by the Board of Directors covering a one year period. Cash flows beyond the first period are extrapolated using the assumptions used in the impairment model. Constant growth rate assumptions are used for projections on established sites. For freehold or leasehold sites with more than 20 years left to run only the next 20 year period is considered.

#### Impairment Reversals

A review of future cash flows for previously impaired cinema sites did not identify improvements in trading performance and therefore no impairments previously recognised were reversed in the current year.

In 2017, an impairment reversal of \$6.2m was recognised in respect of a site in the UK and \$0.5m in respect of a site in ROW.

#### Sensitivity to Changes in Assumptions

Impairment reviews are sensitive to changes in key assumptions. Sensitivity analysis has been performed on the at-risk CGUs' calculated recoverable amounts giving consideration to incremental changes in the key assumptions of admissions levels, average ticket price, concession spend per person and discount rates. At one specific freehold site the levels of rental income earned is also a key assumption. The total net book value of the at-risk CGUs was \$36.6m.

The cash flow models used in assessing the carrying values of sites opened within the last two years are based on specific assumptions made prior to opening in respect of the early growth phase of the sites. Therefore sensitivity analysis is not applied to these sites during this time.

The sensitivities applied reflect realistic scenarios which management believe would have the most significant impact on the cash flows described above.

Discounts rates are largely derived from market data, and these rates are intended to be long term in nature so therefore should be reasonably stable in the short term. However, the models are sensitive to changes in these rates. An increase by a factor of 1% has been applied in the sensitised scenarios.

For detailed cashflow forecasts for at-risk sites, growth rates in admissions in the range 0% to 5% have been applied in the first five years. For average ticket price growth rates in the range 0% to 3.5% have been applied and for concession spend per person growth rates in the range 2.0% to 4.0% have been applied.

The growth rate of admissions, average ticket price and concession spend per person in years one to five have been reduced by 1%. Given the inflationary growth rates applied to admissions trends and ticket price inflation, sensitivities applied are believed to reflect a potential downside scenario.

From year three onward a lower long-term growth rate is applied, which is in line or below long-term inflation in each territory. As such, this assumption is already considered prudent and therefore this has not been included as part of the sensitivities performed.

## 10. Property, Plant and Equipment continued

### Impairment continued

The impact on the total impairment charge of applying different assumptions to the growth rates used in the first five years and the discount rates would be as follows:

|   | Additional<br>impairment<br>\$m |
|---|---------------------------------|
| Growth in admissions reduced by 1%                  | 4.0                             |
| Growth in average ticket price reduced by 1%        | 2.6                             |
| Growth in concession spend per person reduced by 1% | 1.1                             |
| 1 percentage point increase to the discount rates   | 2.2                             |

### Non-Current Assets Held for Sale

Assets held for sale at 31 December 2018 relate to office facilities in the US. The asset held for sale at 31 December 2017 \$2.2m related to a site owned by Picturehouse which was subsequently sold in March 2018.

The values in the table below represent the net book value of the property, plant and equipment held for sale. As the fair value less costs to sell is expected to be in excess of the net book value no impairment is considered necessary.

|                                      | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|--------------------------------------|----------------------------|----------------------------|
| <b>Property, plant and equipment</b> | <b>2.5</b>                 | <b>2.2</b>                 |

## 11. Intangible Assets

|  | Goodwill<br>\$m | Brand<br>\$m | Distribution<br>Rights<br>\$m | Other<br>Intangibles<br>\$m | Total<br>\$m   |
|--|-----------------|--------------|-------------------------------|-----------------------------|----------------|
| <b>Cost</b>                                    |                 |              |                               |                             |                |
| <b>Balance at 31 December 2016</b>             | 812.5           | 51.9         | 40.3                          | 16.6                        | 921.3          |
| Additions                                      | 88.3            | -            | 2.4                           | 1.4                         | 92.1           |
| Disposals                                      | -               | -            | (0.5)                         | -                           | (0.5)          |
| Effects of movement in foreign exchange        | 21.5            | 6.6          | 7.2                           | 3.6                         | 38.9           |
| <b>Balance at 31 December 2017</b>             | <b>922.3</b>    | <b>58.5</b>  | <b>49.4</b>                   | <b>21.6</b>                 | <b>1,051.8</b> |
| Additions due to acquisition                   | 4,625.8         | 365.0        | -                             | 143.6                       | 5,134.4        |
| Additions                                      | -               | -            | 2.5                           | 2.0                         | 4.5            |
| Disposals                                      | -               | -            | -                             | (0.2)                       | (0.2)          |
| Effects of movement in foreign exchange        | (55.0)          | (3.5)        | (3.6)                         | (1.5)                       | (63.6)         |
| <b>Balance at 31 December 2018</b>             | <b>5,493.1</b>  | <b>420.0</b> | <b>48.3</b>                   | <b>165.5</b>                | <b>6,126.9</b> |
| <b>Accumulated amortisation and impairment</b> |                 |              |                               |                             |                |
| <b>Balance at 31 December 2016</b>             | 10.4            | 13.5         | 22.7                          | 5.9                         | 52.5           |
| Amortisation                                   | -               | 3.7          | 8.3                           | 3.4                         | 15.4           |
| Disposals                                      | -               | -            | (0.3)                         | -                           | (0.3)          |
| Effects of movement in foreign exchange        | 0.9             | 1.3          | 4.9                           | 2.3                         | 9.4            |
| <b>Balance at 31 December 2017</b>             | <b>11.3</b>     | <b>18.5</b>  | <b>35.6</b>                   | <b>11.6</b>                 | <b>77.0</b>    |
| Amortisation                                   | -               | 3.9          | 6.6                           | 20.3                        | 30.8           |
| Disposals                                      | -               | -            | -                             | (0.2)                       | (0.2)          |
| Effects of movement in foreign exchange        | (0.6)           | (1.1)        | (2.8)                         | (0.9)                       | (5.4)          |
| <b>Balance at 31 December 2018</b>             | <b>10.7</b>     | <b>21.3</b>  | <b>39.4</b>                   | <b>30.8</b>                 | <b>102.2</b>   |
| <b>Net book value</b>                          |                 |              |                               |                             |                |
| At 31 December 2017                            | 911.0           | 40.0         | 13.8                          | 10.0                        | 974.8          |
| <b>At 31 December 2018</b>                     | <b>5,482.4</b>  | <b>398.7</b> | <b>8.9</b>                    | <b>134.7</b>                | <b>6,024.7</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 11. Intangible Assets continued

#### Impairment Testing

Each individual cinema, or collection of cinemas which are strategically or operationally co-dependent, is considered to be one CGU. However, for the purpose of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management.

Goodwill recognised on acquisition of Regal was \$4,625.8m as outlined within Note 18. Based on the estimated synergies from the combination we have allocated this goodwill between the US CGU (\$4,302.8m) and UK CGU (\$323.0m). This represents the lowest level in which goodwill is monitored for internal management purposes.

The ex-Cine-UK, ex-UGC (including Dublin) and Picturehouse businesses are now fully integrated, meaning that goodwill is now monitored on a UK-wide level (2018: \$712.2m, 2017: \$410.9m). Cinema City CGUs are considered as separate groups in each territory and have been tested for goodwill impairment on this basis, the territories being Poland (2018: \$131.9m, 2017: \$142.2m), Israel (2018: \$81m, 2017: \$87.6m), Hungary (2018: \$61.9m, 2017: \$67.0m) Romania (2018: \$129.7m, 2017: \$136.6m), Bulgaria (2018: \$20.5m, 2017: \$21.6m), Czech (2018: \$37.4m 2017: \$39.4m) and Slovakia (2018: \$5.0m, 2017: \$5.2m).

The six sites acquired from Empire Cinemas Limited are considered to have been fully integrated from the date of acquisition as there were no support functions included in either acquisition. The acquired goodwill in respect of these transactions is therefore included within the UK CGU Group.

The recoverable amounts of US, UK and Cinema City CGU Groups have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the first five year period have been extrapolated using the below assumptions. This growth rate does not exceed the long-term average growth rate for the market in which the CGU Groups operate.

The US CGU has discounted forecast cash flows using a pre-tax discount rate of 12.43% being a market participant's discount rate. The UK CGU has discounted forecast cash flows using a pre-tax discount rate of 10.02% (2017: 9.9%) being a market participant's discount rate. The ROW CGU Groups have discounted forecast cash flows using a pre-tax discount rates relevant to the operating territory of each CGU Group (see Note 10), being a market participant's discount rate. This is considered to reflect the risks associated with the relevant cash flows for each CGU Group. The key assumptions used in the cash flow projections for the purpose of the impairment review are as follows:

|                                       | United States                          |  | UK & Ireland                           |  | ROW                                    |  |
|---------------------------------------|--|--|--|--|--|--|
|                                       | Year ended<br>31 December<br>2018<br>% | Year ended<br>31 December<br>2017<br>% | Year ended<br>31 December<br>2018<br>% | Year ended<br>31 December<br>2017<br>% | Year ended<br>31 December<br>2018<br>% | Year ended<br>31 December<br>2017<br>% |
| Discount rate                         | <b>12.43</b>                           | -                                      | <b>10.02</b>                           | 9.90                                   | <b>N/A<sup>(1)</sup></b>               | N/A <sup>(1)</sup>                     |
| EBITDA growth rate from year 5 onward | <b>2.00</b>                            | -                                      | <b>2.00</b>                            | 2.00                                   | <b>2.00</b>                            | 2.00                                   |

(1) Individual discount rates for each operating territory have been used; a summary is disclosed in Note 10.

2019 forecast Adjusted EBITDA, as defined in Note 1, was used as the basis of the future cash flow calculation.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and sensitised cases no impairment exists. The key assumptions used and sensitised were forecast cash flows and the relevant discount rate, which were selected as they are the key variable elements of the value in use.

A reduction of 10% in the forecast cash flows for each CGU or an increase in the discount rate applied to the cash flows of each CGU of 1 percentage point would not cause the carrying value to exceed its recoverable amount for any CGU. An increase of 2 percentage points would not cause the carrying value of any group of CGUs to exceed its recoverable amount, however in this scenario the carrying value for the Israel CGU would exceed its recoverable amount by \$12.2m.

#### Amortisation Charge

The amortisation of intangible assets is recognised in the following line items in the Statement of Profit or Loss:

|                         | Year ended<br>31 December<br>2018<br>\$m | Year ended<br>31 December<br>2017<br>\$m |
|-------------------------|--|--|
| Administrative expenses | <b>30.8</b>                              | 15.4                                     |

### 12. Investment in Equity Accounted Investees

The Group has the following investment in jointly controlled entities:

|                                       | Country of<br>incorporation | Class of<br>shares held | Ownership |
|---------------------------------------|-----------------------------|-------------------------|-----------|
| National Cinemedia, LLC               | United States               | Ordinary                | 26.1%     |
| AC JV, LLC                            | United States               | Ordinary                | 32.0%     |
| Digital Cinema Distribution Coalition | United States               | Ordinary                | 14.6%     |
| Digital Cinema Media Limited          | England and Wales           | Ordinary                | 50.0%     |
| BLACK Schrauber Limited               | Israel                      | Ordinary                | 50.0%     |

## 12. Investment in Equity Accounted Investees continued

### National Cinemedia, LLC

In 2005, Regal combined its respective cinema screen advertising businesses with that of AMC, to form a new joint venture, National CineMedia ("NCM"). NCM operates the largest digital in-theatre advertising network in North America. The Group receives theatre access fees and mandatory distributions of excess cash from NCM. Pursuant to a common unit adjustment agreement which Regal is party to, from time to time, common units of NCM held by Regal will be adjusted up or down through a formula primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each joint venture partner.

On March 15, 2018, the Group received an additional 2,828,818 common units of NCM, each of which is convertible into one share of NCM common stock, as a result of the annual common unit adjustment calculation. The Group recorded the additional common units received at estimated fair value with a corresponding adjustment to deferred revenue of approximately \$16.0m. The deferred revenue will be recognised on a straight-line basis over the remaining term of the ESA, which is approximately 19 years.

On July 5, 2018 the Group acquired 10,738,740 common units of NCM from AMC for \$78.4m in cash. As a result of the acquisition of these shares, the Group's ownership of NCM increased from approximately 19.4% to 26.1%.

Under the terms of the shareholder agreement between the Group and other NCM shareholders, key business decisions in respect of NCM require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of NCM, therefore the Group's investment is accounted for as a joint venture.

|                                    | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|------------------------------------|----------------------------|----------------------------|
| Cost                               | 294.3                      | -                          |
| Share of post-acquisition reserves | 4.2                        | -                          |
| Share of post-tax loss             | -                          | -                          |
| <b>Carrying value</b>              | <b>298.5</b>               | <b>-</b>                   |

Summary aggregated financial information on jointly controlled entities – 100%:

|                         | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|-------------------------|----------------------------|----------------------------|
| Current assets          | 172.7                      | -                          |
| Non-current assets      | 726.8                      | -                          |
| Current liabilities     | (115.2)                    | -                          |
| Non-current liabilities | (924.9)                    | -                          |
| <b>Net liabilities</b>  | <b>(140.6)</b>             | <b>-</b>                   |
| Income                  | 444.1                      | -                          |
| Expenses                | (345.7)                    | -                          |
| <b>Net profit</b>       | <b>98.4</b>                | <b>-</b>                   |

### AC JV LLC

The Group maintains an investment in AC JV LLC 'AC JV', a Delaware limited liability company owned 32.0%, by each of the Group, AMC and Cinemark and 4.0% by NCM. AC JV acquired the Fathom Events business from NCM on 26 December 2013. AC JV owns and manages the Fathom Events business, which markets and distributes live and pre-recorded entertainment programming to various theatre operators (including Regal, AMC and Cinemark) to provide additional programs to augment their feature film schedule and includes events such as live and pre-recorded concerts, opera and symphony, marketing events, theatrical premieres, Broadway plays, live sporting events and other special events.

In consideration for the sale, NCM received a total of \$25.0 million in promissory notes from the Group, Cinemark and AMC (one-third or approximately \$8.3 million from each). The notes bear interest at 5.0% per annum. Interest and principal payments are due annually in six equal instalments commencing on the first anniversary of the closing. NCM recorded a gain of approximately \$25.4 million in connection with the sale. The Group's proportionate share of such gain (approximately \$1.9 million) was excluded from equity earnings in NCM and recorded as a reduction in the Group's investment in AC JV. The remaining outstanding balance of the note payable from the Group to NCM as of 31 December 2018 was \$3.0m. Since the Group does not have a controlling financial interest in AC JV, its investment in AC JV is accounted for as a joint venture.

As at 31 December 2018 and 31 December 2017 the assets, liabilities and net profit of AC JV LLC were not material to the Group.

|                                    | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|------------------------------------|----------------------------|----------------------------|
| Cost                               | 6.4                        | -                          |
| Share of post-acquisition reserves | 0.1                        | -                          |
| Share of post-tax loss             | -                          | -                          |
| <b>Carrying value</b>              | <b>6.5</b>                 | <b>-</b>                   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 12. Investment in Equity Accounted Investees continued

#### Digital Cinema Distribution Coalition

The Group is a party to a joint venture with certain exhibitors and distributors called Digital Cinema Distribution Coalition 'DCDC'. DCDC has established a satellite distribution network that distributes digital content to theatres via satellite.

Under the terms of the shareholder agreement between the Group and other DCDC shareholders, key business decisions in respect of DCDC require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of DCDC, therefore the Group's investment is accounted for as a joint venture.

As at 31 December 2018 and 31 December 2017 the assets, liabilities and net profit of DCDC were not material to the Group.

|                                    | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|------------------------------------|----------------------------|----------------------------|
| Cost                               | 2.6                        | -                          |
| Share of post-acquisition reserves | (0.6)                      | -                          |
| Share of post-tax loss             | -                          | -                          |
| <b>Carrying value</b>              | <b>2.0</b>                 | <b>-</b>                   |

#### Digital Cinema Media Limited

On 8 February 2008 the Group jointly formed Digital Cinema Media Limited ("DCM") with Odeon Cinemas Holdings Limited ("Odeon"). On 10 July 2008 DCM acquired certain trade and assets (substantially employees, computer systems, leasehold office and existing contracts) from Carlton Screen Advertising Limited, the Group's former advertising supplier.

Under the terms of the shareholder agreement between the Group and Odeon, key business decisions in respect of DCM require the unanimous approval of the shareholders. As a consequence, the Directors of the Group do not have total management control of DCM, therefore the Group's investment is accounted for as a joint venture.

|                                    | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|------------------------------------|----------------------------|----------------------------|
| Cost                               | 1.2                        | 1.2                        |
| Share of post-acquisition reserves | (0.4)                      | (0.3)                      |
| Share of post-tax loss             | 0.8                        | 0.9                        |
| Share of post-tax loss             | -                          | -                          |
| <b>Carrying value</b>              | <b>0.8</b>                 | <b>0.9</b>                 |

Summary aggregated financial information on jointly controlled entities – 100%:

|                         | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|-------------------------|----------------------------|----------------------------|
| Current assets          | 37.1                       | 31.6                       |
| Non-current assets      | 1.9                        | 2.0                        |
| Current liabilities     | (28.6)                     | (32.9)                     |
| Non-current liabilities | (10.9)                     | (1.3)                      |
| <b>Net liabilities</b>  | <b>(0.5)</b>               | <b>(0.6)</b>               |
| Income                  | 90.7                       | 90.8                       |
| Expenses                | (90.5)                     | (90.7)                     |
| <b>Net profit</b>       | <b>0.2</b>                 | <b>0.1</b>                 |

#### BLACK Schrauber Limited

On 24 June 2015 the Group jointly formed a partnership for running a restaurant in the new complex in Jerusalem.

Under the terms of the partnership agreement, key business decisions in respect of Black Schrauber Limited require the unanimous approval of the partners. As a consequence, the Directors of the Group do not have total management control of Black Schrauber Limited, therefore the Group's investment is accounted for as a joint venture.

As at 31 December 2018 and 31 December 2017 the assets, liabilities and net profit of BLACK Schrauber Limited were not material to the Group.

|                                    | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|------------------------------------|----------------------------|----------------------------|
| Cost                               | 0.7                        | 0.7                        |
| Share of post-acquisition reserves | -                          | -                          |
| Share of post-tax loss             | 0.7                        | 0.7                        |
| Share of post-tax loss             | -                          | -                          |
| <b>Carrying value</b>              | <b>0.7</b>                 | <b>0.7</b>                 |



### 13. Jointly Controlled Operations

The Group holds a 46.7% interest in a joint arrangement Digital Cinema Implementation Partners "DCIP". DCIP was set up as a partnership together with AMC and Cinemark, to facilitate the upgrade and conversion to digital projection technology. DCIP's principal place of business is the United States.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of DCIP under the appropriate headings. The impact on the group's financial statements is as follows:

|                               | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|-------------------------------|----------------------------|----------------------------|
| <b>Income Statement</b>       |                            |                            |
| Net profit                    | 40.1                       | -                          |
| <b>Balance Sheet</b>          |                            |                            |
| Property, plant and equipment | 194.0                      | -                          |
| Total assets                  | 353.8                      | -                          |
| Total liabilities             | 83.0                       | -                          |

### 14. Financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading. The Group has irrevocably elected at initial recognition to recognise the investments in this category. These are strategic investments and the group considers this classification to be more relevant, than financial assets through Statement of Profit Or Loss

Equity investments at FVOCI comprise the following individual investments:

|                            | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|----------------------------|----------------------------|----------------------------|
| <b>Non-current assets</b>  |                            |                            |
| <b>Listed securities</b>   |                            |                            |
| iPic Entertainment, Inc.   | 2.5                        | -                          |
| <b>Unlisted securities</b> |                            |                            |
| Atom Tickets, LLC          | 5.0                        | -                          |

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income during the financial year in relation to equity investments:

|  | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|--|----------------------------|----------------------------|
| Gains/(losses) recognised in other comprehensive income as a result of the revaluation of equity investments | (6.9)                      | -                          |
| Dividends from equity investments held at FVOCI recognised in profit or loss in other income                 | -                          | -                          |

Refer Note 24 as to how the fair value of these equity instruments has been determined.

### 15. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

|                                     | Assets                     |                            | Liabilities                |                            | Net                        |                            |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                     | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
| Property, plant and equipment       | 2.8                        | -                          | (101.6)                    | (7.6)                      | (98.8)                     | (7.6)                      |
| Deferred rent                       | -                          | -                          | (29.5)                     | -                          | (29.5)                     | -                          |
| Deferred revenue                    | 277.9                      | -                          | -                          | -                          | 277.9                      | -                          |
| Intangible assets                   | -                          | -                          | (125.4)                    | (9.8)                      | (125.4)                    | (9.8)                      |
| Investments                         | -                          | -                          | (82.0)                     | -                          | (82.0)                     | -                          |
| Employee benefits                   | 2.0                        | 3.1                        | -                          | -                          | 2.0                        | 3.1                        |
| Market rent                         | 85.5                       | 0.4                        | -                          | (0.4)                      | 85.5                       | -                          |
| Tax losses                          | 11.6                       | 0.5                        | -                          | -                          | 11.6                       | 0.5                        |
| Other                               | -                          | -                          | (19.4)                     | -                          | (19.4)                     | -                          |
| Tax assets/(liabilities)            | 379.8                      | 4.0                        | (357.9)                    | (17.8)                     | 21.9                       | (13.8)                     |
| Set off tax                         | (348.2)                    | (4.0)                      | 348.2                      | 4.0                        | -                          | -                          |
| <b>Net tax assets/(liabilities)</b> | <b>31.6</b>                | <b>-</b>                   | <b>(9.7)</b>               | <b>(13.8)</b>              | <b>21.9</b>                | <b>(13.8)</b>              |

See Note 9 for details of unrecognised tax assets.

Deferred taxation provided for in the financial statements at the period end represents provision at the local tax rates on the above items.

A review of the deferred tax will be performed at each balance date and adjustments made in the event of a change in any key assumptions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 15. Deferred Tax Assets and Liabilities continued

Deferred tax assets and liabilities are attributable to the following:

|                                 | 1 January<br>2018<br>\$m | Acquisition<br>\$m | Recognised<br>in income<br>\$m | Recognised<br>in equity<br>\$m | Foreign<br>exchange<br>\$m | 31 December<br>2018<br>\$m |
|---------------------------------|--------------------------|--------------------|--------------------------------|--------------------------------|----------------------------|----------------------------|
| Property, plant and equipment   | (7.6)                    | (27.3)             | (64.2)                         | -                              | 0.3                        | (98.8)                     |
| Deferred rent                   | -                        | 21.8               | (51.3)                         | -                              | -                          | (29.5)                     |
| Deferred revenue                | -                        | 203.5              | 74.4                           | -                              | -                          | 277.9                      |
| Intangible assets               | (9.8)                    | (165.0)            | 48.7                           | -                              | 0.7                        | (125.4)                    |
| Investment                      | -                        | (61.8)             | (20.2)                         | -                              | -                          | (82.0)                     |
| Employee benefits               | 3.1                      | -                  | (1.0)                          | 0.1                            | (0.2)                      | 2.0                        |
| Market rent                     | -                        | 43.8               | 41.7                           | -                              | -                          | 85.5                       |
| Tax losses                      | 0.5                      | 13.6               | (1.6)                          | -                              | (0.9)                      | 11.6                       |
| Other                           | -                        | (1.0)              | (18.6)                         | 0.2                            | -                          | (19.4)                     |
| <b>Tax (liabilities)/assets</b> | <b>(13.8)</b>            | <b>27.6</b>        | <b>7.9</b>                     | <b>0.3</b>                     | <b>(0.1)</b>               | <b>21.9</b>                |

### 16. Inventories

|                           | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|---------------------------|----------------------------|----------------------------|
| Goods for resale          | 25.7                       | 10.7                       |
| Equipment and spare parts | 9.4                        | 3.2                        |
|                           | <b>35.1</b>                | <b>13.9</b>                |

Inventory recognised in cost of sales in the year amounted to \$200.3m (2017: \$74.2m).

### 17. Trade and Other Receivables

|                                   | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|-----------------------------------|----------------------------|----------------------------|
| Current                           |                            |                            |
| Trade receivables                 | 206.6                      | 39.9                       |
| Loss allowance                    | (1.0)                      | -                          |
| Other receivables                 | 31.4                       | 13.1                       |
| Prepayments and accrued income    | 87.5                       | 51.4                       |
|                                   | <b>324.5</b>               | <b>104.4</b>               |
| Non-current                       |                            |                            |
| Other long term receivables       | 64.1                       | 6.1                        |
| Land lease premiums               | 141.9                      | 1.0                        |
| Loan to jointly controlled entity | 0.7                        | 0.7                        |
|                                   | <b>206.7</b>               | <b>7.8</b>                 |

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is not considered to be materially different to their fair value.

Land Lease Premium represent the fair value asset of leases acquired with Cinema City Holdings B.V and with Regal.

Further information relating to loans to jointly controlled entities is set out in Note 12.

### 18. Business Combinations

#### 2018 Acquisition of Regal Entertainment Group

On the 5 December 2017, the Group announced the proposed 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. The acquisition of Regal completed on 28 February 2018.

#### Consideration Transferred

Of the total consideration for the acquisition, \$3.4bn was settled fully in cash, funded by the proceeds of the fully underwritten Rights Issue at the Rights Issue Price of 157.0 pence 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 US Dollar and Euro term loan totalling \$4.1bn and a \$300.0m revolving credit facility. The previous financing arrangements in place as at 31 December 2017 for the Group and Regal have been terminated and superseded by the new financing arrangements from 28 February 2018. As the consideration was entirely paid in cash the acquisition is being accounted for as an acquisition under IFRS 3 rather than as a reverse takeover under IFRS 3, notwithstanding the size of the acquisition.

## 18. Business Combinations continued

### Fair Value of Consideration Transferred

|  | \$m            |
|--|----------------|
| Cash consideration                                   | 3,727.6        |
| <b>Total fair value of consideration transferred</b> | <b>3,727.6</b> |

### Identifiable Assets Acquired and Liabilities Assumed

|   | \$m            |
|---|----------------|
| <b>Fair value of total net identifiable assets upon acquisition</b> |                |
| Intangible assets   | 508.9          |
| Property, plant and equipment                                       | 1,881.8        |
| Investments   | 223.4          |
| Deferred Tax Assets   | 27.6           |
| Inventory   | 23.8           |
| Trade and other receivables   | 372.9          |
| Asset held for sale   | 2.5            |
| Cash and cash equivalents   | 333.2          |
| Finance lease liability   | (86.7)         |
| Loans and borrowings  | (2,436.8)      |
| Provisions for liabilities  | (363.2)        |
| Trade and other payables  | (1,385.6)      |
| <b>Total net identifiable assets</b>                                | <b>(898.2)</b> |
| Goodwill  | 4,625.8        |
| <b>Consideration transferred</b>                                    | <b>3,727.6</b> |

Management assessed the fair value of the acquired identifiable intangible assets and acquired property, plant and equipment and as a result their respective fair values are reflected above.

#### The Key Judgments and Estimates considered were as follows:

##### *Property, plant and equipment*

The assessed fair value of property, plant and equipment (including assets held for sale) of \$1,884.3m include a number of adjustments. Land and buildings assets at 65 sites were revalued to reflect open market at the date of acquisition, resulting in a fair value uplift of \$235.0m. A fair value uplift of \$27.2m on right of use assets included within Property, Plant and Equipment in respect of finance leases was recognised as a result of forecast income at the lease sites exceeding the recorded value of the assets.

In assessing the fair value of Property, Plant and Equipment at a CGU level, the carrying value reported by Regal prior to acquisition was assumed to reflect the fair value of the assets at each CGU. In order to verify this assumption, the carrying value of each CGU was compared to the depreciated replacement cost of the assets at each site based on the useful economic lives and current market pricing. It was concluded that the carrying value of the CGU assets accurately represented the fair value on this basis.

A further exercise was completed to compare the carrying value of each CGU to its estimated value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each CGU and discount these to their net present value at a pre-tax discount rate. Future cashflows were based on the performance of each CGU for the 12 months preceding the acquisition date.

Where the estimated value in use did not support the carrying value of a CGU, a fair value adjustment was recognised. Assets with a value of \$105.2m were written down, where the forecast cashflows of a CGU (discounted by applying an indicative acquisition internal rate of return) did not support its value at the date of acquisition.

The judgements applied in assessing the fair value of acquired PPE involved key assumptions, which are sensitive to change. Sensitivity analysis has been performed on the value in use assessment, giving consideration to incremental changes in the key assumptions of admissions levels, average ticket price, concession spend per person and discount rate. There were 42 CGUs with a total fair value of \$61.4m whose fair value was considered to be sensitive to changes in key assumptions. An increase in the discount rate (of 8.6%) of 1% would result in an additional fair value reduction of \$2.6m. Admissions levels, average ticket price, concession spend per person combine to drive the expected cashflows used in assessing the value in use. An overall reduction of 1% in the expected cashflows (which included growth rates between 0.0% and 1.0%) would result in a further fair value reduction of \$0.8m.

##### *Intangible assets*

Acquired identifiable intangible assets include \$365.0m in respect of brands and \$141.0m in respect of customer relationships. Management consider the residual goodwill of \$4,625.8m to represent a number of factors including the skills and industry knowledge of Regal's management and workforce, synergies expected to be realised post acquisition and the future value expected to be generated by the Group from Regal's pipeline of new sites and the potential for refurbishing the existing estate. None of the goodwill is expected to be deductible for income tax purposes. The contributions Regal has made to the Group since 28 February 2018 represented by the US segment disclosed in Note 2.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 18. Business Combinations continued

The fair value of the brand asset was assessed by considering the benefit to the Group's future revenue of the acquired brand and assessing the royalty costs that would be incurred in deriving the same benefit. The key assumptions in the assessment are the forecast revenue growth and royalty cost applied, the valuation is sensitive to both of these areas. A royalty cost of 0.75% of revenue was applied. A reduction of the forecast revenue growth rate of 1% would result in a reduction in the value of the brand asset by \$52.1m. A reduction in the royalty rate applied of 0.1% would result in a reduction of the brand asset of \$48.6m.

#### Contract liabilities

An assessment of the expected fair value of revenue attributable to performance obligations under advertising contracts was derived by generating an expected fair value of the contract using current market advertising prices. This resulted in a fair value uplift of \$245.7m being applied to deferred revenue, resulting in a liability at acquisition of \$680.8m.

The key judgement in assessing the value of the contract liability at the acquisition date was the current pricing of screen advertising. A range of observable price points were considered, the range of potential values of the contract liability based on those price points was from \$658.9m to \$720.9m. A reduction of 1% in the advertising price applied would reduce the fair value of the liability at acquisition by \$10.8m.

#### Other Fair Value Adjustments:

Management have also considered the lease contract of each of the acquired sites. A provision of \$35.3m has been recognised in respect of onerous lease contracts. The provision reflects the present value of the future lease payments under these lease contracts to the extent that the contract results in the site making a loss.

An exercise was conducted to compare the current rentals of each of the sites to the current market rental rate. Accordingly, a net provision of \$162.0m has been recognised in respect of a number of sites where the current rental rate is either above or below the assumed average market rental rate. As a result of adjusting all rental payments to a fair market basis, Deferred income of \$196.0m in respect of landlord contributions received by Regal prior to the acquisition have been written off and a liability of \$87.0m in respect of contractual increments in rent has been eliminated. Future incremental rent charges will be recorded in the income statement in line with IAS 17.

The fair value of the Group's investment in a listed Joint Venture was increased by \$51.0m, reflecting the Group's holding and the share price of the entity at the acquisition date.

### 2017 Acquisition of Empire cinema

On 15 June 2017 the Group completed the acquisition of the Newcastle cinema from Cinema Holdings Limited by means of an acquisition of 100% of the shares. The consideration consists of two elements, the initial consideration of \$9.1m plus contingent consideration based on the performance of the site over a 24 month period post completion of the refurbishment. The contingent consideration has been provisionally estimated at \$4.1m based on the expected future performance of the site and the market.

#### Fair Value of Consideration Transferred

|  | \$m         |
|--|-------------|
| Cash consideration                                   | 9.1         |
| Contingent consideration                             | 4.0         |
| <b>Total fair value of consideration transferred</b> | <b>13.1</b> |

The fair value of net assets has been determined at \$2.6m, the residual goodwill of \$10.5m represents a number of factors including the strategic location of the sites acquired, the benefit of the sites being established sites, the value of the acquired sites can add to Cineworld existing brand and products as well as synergies expected to be realised post acquisition.

#### Identifiable Assets Acquired and Liabilities Assumed

|   | \$m         |
|---|-------------|
| <b>Fair value of total net identifiable assets upon acquisition</b> |             |
| Property, plant and equipment                                       | 2.6         |
| <b>Total net identifiable assets</b>                                | <b>2.6</b>  |
| Goodwill  | 10.5        |
| <b>Consideration transferred</b>                                    | <b>13.1</b> |

#### The Key Judgments considered were as follows:

##### Property and Leases

The fair value of property, plant and equipment of \$2.6m represents management's initial assessment of the assets acquired.

As well as considering the fair value of acquired property, plant and equipment, management also considered the lease contracts for the cinema; no assets or liabilities were identified in respect of these contracts.

##### Tax

No income tax liability is recognised on acquisition as future tax charges are not expected to arise in respect of tax positions open at the date of acquisition.

**18. Business Combinations** continued*Identifiable Intangible Assets*

There were no identifiable intangible assets recognised on acquisition. Management consider the residual goodwill balance of \$10.5m to represent a number of factors including the strategic location of the site acquired, the benefit of an established site, the value the acquired site can add to the Cineworld existing brand and products as well as synergies expected to be realised post acquisition.

**19. Interest-Bearing Loans and Borrowings and Other Financial Liabilities**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

|  | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|--|----------------------------|----------------------------|
| <b>Non-current liabilities</b>                                 |                            |                            |
| Unsecured bank loan, less issue costs of debt to be amortised  | 3,885.3                    | 426.2                      |
| Liabilities under finance leases                               | 83.0                       | 19.8                       |
|  | <b>3,968.3</b>             | 446.0                      |
| <b>Current liabilities</b>                                     |                            |                            |
| Unsecured bank loans, less issue costs of debt to be amortised | 27.3                       | 18.4                       |
| Secured bank loans   | 33.6                       | -                          |
| Loan note  | 3.0                        | -                          |
| Liabilities under finance leases                               | 17.5                       | 1.8                        |
|  | <b>81.4</b>                | 20.2                       |

The terms and conditions of outstanding loans were as follows:

|   | Currency | Nominal interest rate  | Year of maturity | 31 December 2018  |                        | 31 December 2017  |                        |
|---|----------|--|------------------|-------------------|------------------------|-------------------|------------------------|
|   |          |  |                  | Face value<br>\$m | Carrying amount<br>\$m | Face value<br>\$m | Carrying amount<br>\$m |
| Unsecured bank loan                       | USD      | Base rate <sup>(1)</sup> plus applicable margin <sup>(2)</sup> | 2025             | 3,300.1           | 3,233.8                | -                 | -                      |
| Unsecured bank loan                       | EUR      | Euro currency rate + margin <sup>(3)</sup>                     | 2025             | 690.5             | 678.7                  | -                 | -                      |
| Revolving credit facility                 | USD      | Applicable First Lien Net Leverage Ratio <sup>(4)</sup>        | 2025             | -                 | -                      | -                 | -                      |
| Secured bank loan - DCIP                  | USD      | 4.17%  | 2019             | 33.6              | 33.6                   | -                 | -                      |
| Unsecured bank loan                       | GBP      | LIBOR+1.4%   | 2020             | -                 | -                      | 386.3             | 384.5                  |
| Unsecured bank loan                       | EUR      | EURIBOR+1.4%   | 2020             | -                 | -                      | 57.2              | 57.0                   |
| Unsecured bank loan                       | NIS      | 1.82%  | 2020             | -                 | -                      | 3.1               | 3.1                    |
| Loan note                                 | USD      | 5.0%   | 2019             | 3.0               | 3.0                    | -                 | -                      |
| Finance lease liability                   | GBP      | 3.41%  | 2030 - 2060      | 19.4              | 19.4                   | 20.8              | 20.8                   |
| Finance lease liability                   | EUR      | 6.50%  | 2021             | 0.5               | 0.5                    | 0.8               | 0.8                    |
| Finance lease liability                   | USD      | 6.20%  | 2019 - 2030      | 80.6              | 80.6                   | -                 | -                      |
| <b>Total interest-bearing liabilities</b> |          |  |                  | <b>4,127.7</b>    | <b>4,049.6</b>         | 468.2             | 466.2                  |

(1) Base rate is equal to the highest of the following:

- The US Prime Rate
- 0.5% plus the federal funds effective rate

(2) Applicable margin is charged by reference to the applicable first lien net leverage ratio: >3.5/1 2.5% <3.5/1 2.25%

(3) Applicable margin is charged as 2.625% for the first 12 months. Subsequently interest is charged by reference to the applicable first lien net leverage ratio: >3.5/1 2.625%, <3.5/1 2.375%

(4) First lien net leverage ratio: >3.5/1 3.0%, <3.5/1 - 3/1> 2.75%, <3/1 2.5%

On 28 February 2018 the Group restructured its debt facilities. The restructured debt arrangement consists of a US Dollar and Euro term loan totalling \$4.1bn and a \$300.0m revolving credit facility. The previous financing arrangements in place as at 31 December 2017 for the Group were settled.

Refer to Note 12 for details of the loan note payable to NCM, linked to the AC JV LLC joint venture.

**Secured Loan**

The Group acquired DCIP, a Joint Operation described in Note 11, as part of its acquisition of Regal. DCIP holds an unsecured loan, of which \$33.6m is consolidated by the Group in accordance with IFRS 11. The facility is secured by a first priority lien on the Group's share of DCIP assets, including cash and digital projection systems. Under the Credit Facility, DCIP is required to maintain compliance with certain financial covenants, including an interest cover ratio, minimum revenues, capital expenditure limitations and excess cash flow. At 31 December 2018, DCIP was in compliance with all of its covenants, the covenants in respect of the secured DCIP loan are not applicable to the wider Group and have no impact on its operations or financing. The security in respect of the loan is limited to the Group's assets held within DCIP, no security is given against the assets of the wider Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 19. Interest-Bearing Loans and Borrowings and Other Financial Liabilities continued

#### Compliance with loan covenants

There are no covenants attached to the Group's unsecured borrowings, other than preparing the principal borrowers (Crown UK HoldCo Limited) financial statements and the calculation of the first lien net leverage ratio and total net leverage ratio. A compliance certificate providing this information is provided to the agent every six months.

See Note 24 for bank loan maturity analysis.

#### Finance Lease Liabilities

The maturity of obligations under finance leases is as follows:

|                             | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|-----------------------------|----------------------------|----------------------------|
| Within one year             | 23.3                       | 1.6                        |
| Between one and two years   | 16.1                       | 1.8                        |
| Between two and five years  | 40.9                       | 5.5                        |
| Over five years             | 63.3                       | 34.7                       |
|                             | <b>143.6</b>               | 43.6                       |
| Less future finance charges | <b>(43.1)</b>              | (22.0)                     |
|                             | <b>100.5</b>               | 21.6                       |

#### Analysis of Net Debt

|   | Cash at bank<br>and in hand<br>\$m | Bank<br>overdraft<br>\$m | Bank<br>loans<br>\$m | Loan note<br>\$m | Finance<br>leases<br>\$m | Interest<br>rate swap<br>\$m | Net debt<br>\$m  |
|---|------------------------------------|--------------------------|----------------------|------------------|--------------------------|------------------------------|------------------|
| <b>At 31 December 2016</b>                      | 68.6                               | -                        | (398.8)              | -                | (18.5)                   | (1.4)                        | (350.1)          |
| Cash flows                                      | 9.7                                | (0.6)                    | (4.2)                | -                | 1.7                      | -                            | 6.6              |
| Non-cash movement                               | -                                  | -                        | (1.8)                | -                | (2.8)                    | 1.5                          | (3.1)            |
| Effect of movement in foreign<br>exchange rates | 12.7                               | -                        | (39.8)               | -                | (2.0)                    | (0.1)                        | (29.2)           |
| <b>At 31 December 2017</b>                      | 91.0                               | (0.6)                    | (444.6)              | -                | (21.6)                   | -                            | (375.8)          |
| Additions through acquisition                   | 330.8                              | -                        | (4,062.4)            | (3.0)            | (93.2)                   | 0.2                          | (3,827.6)        |
| Cash flows                                      | (99.1)                             | 0.6                      | 530.7                | -                | 19.9                     | -                            | 452.1            |
| Non-cash movement                               | -                                  | -                        | (13.2)               | -                | (5.6)                    | -                            | (18.8)           |
| Effect of movement in foreign<br>exchange rates | (6.4)                              | -                        | 43.2                 | -                | -                        | -                            | 36.9             |
| <b>At 31 December 2018</b>                      | <b>316.3</b>                       | <b>-</b>                 | <b>(3,946.2)</b>     | <b>(3.0)</b>     | <b>(100.5)</b>           | <b>0.2</b>                   | <b>(3,733.2)</b> |

The non-cash movements relating to bank loans represent the amortisation of debt issuance costs. The non-cash movements relating to finance leases relate to the unwind of finance lease liabilities.

### 20. Trade and Other Payables

|                             | 31 December<br>2018<br>\$m          | 31 December<br>2017<br>\$m          |
|-----------------------------|-------------------------------------|-------------------------------------|
| <b>Current</b>              |                                     |                                     |
| Trade payables              | 231.8                               | 38.2                                |
| Other payables              | 315.9                               | 33.5                                |
| Accruals                    | 154.6                               | 101.4                               |
| Deferred income             | 134.1                               | 22.5                                |
|                             | <b>836.4</b>                        | 195.6                               |
|                             | <b>31 December<br/>2018<br/>\$m</b> | <b>31 December<br/>2017<br/>\$m</b> |
| <b>Non-current</b>          |                                     |                                     |
| Accruals and other payables | 156.5                               | 124.7                               |
| Deferred income             | 799.0                               | -                                   |
| Government grants           | 10.1                                | 4.4                                 |
|                             | <b>965.6</b>                        | 129.1                               |

Amounts in respect of the NCM ESA and customer loyalty schemes are included within deferred income. Amounts in respect of lease incentives and straight lined lease contracts are included within accruals.

## 21. Employee Benefits

### Defined Benefit Pension Plans

The Group operates one externally funded defined benefit pension scheme in Ireland, the Adelphi-Carlton Limited Contributory Pension Plan.

The Adelphi-Carlton Limited Contributory Pension Plan is closed to new entrants and therefore the current service cost is \$nil. The trustees of the Adelphi-Carlton Contributory Pension Plan have not agreed that any surplus on the plan can be refunded to the Group. Accordingly the surplus has not been recognised. The scheme has a surplus of \$1.0m as at 31 December 2018 (2017: \$1.1m).

Actuaries for Adelphi-Carlton Limited carried out the last actuarial valuation of the Scheme as at 1 April 2016. Based on this assessment, the actuarial value of the assets is \$3.2m which is more than sufficient to cover 100% of the benefits that had accrued to members. In view of this, a suspension of Group contributions was in force from 1 April 2001 to 31 December 2016. Total contributions for the years ended 31 December 2018 were \$nil (2017: \$nil). No contributions are expected for the year ending 31 December 2019.

### Accrued Employee Retirement Rights

Local applicable labour laws and agreements in the ROW require certain Group companies to pay severance pay to dismissed or retiring employees (including those leaving their employment under certain other circumstances). The calculation of the severance pay liability has been made in accordance with labour agreements in force and based on salary components that, in management's opinion, create entitlement to severance pay.

Group companies' severance pay liabilities to their employees are funded partially by regular deposits with recognised pension and severance pay funds in the employees' names and by purchase of insurance policies. They are accounted for as if they were a defined contribution plan. The amounts funded as above are netted against the related liabilities and are not reflected in the Consolidated Statement of Financial Position since they are not under the control and management of the companies.

The amounts of the liability for severance pay presented in the Consolidated Statement of Financial Position (see below) reflect that part of the liability not covered by the funds and the insurance policies mentioned above, as well as the liability that is funded by deposits with recognised central severance pay funds held under the name of the Company's subsidiaries.

The cost of severance provision is determined according to the projected unit credit method. It has been calculated using a discounted cash flow approach. The calculations are based on the following assumptions:

- Discount at 31 December 2018 2.09% (2017: 2.08%)
- Expected returns on plan assets at 31 December 2018 1.45% (2017: 1.73%)

The net provision for accrued employee rights upon retirement comprises:

|                                      | <b>31 December<br/>2018<br/>\$m</b> | 31 December<br>2017<br>\$m |
|--------------------------------------|-------------------------------------|----------------------------|
| Present value of unfunded obligation | <b>6.1</b>                          | 5.6                        |
| Less: Fair value of plan assets      | <b>(2.9)</b>                        | (2.5)                      |
| <b>Total obligation</b>              | <b>3.2</b>                          | 3.1                        |

Movements in the provision for accrued employee rights upon retirement:

|   | Gross<br>amount<br>\$m | Amount<br>deposited<br>\$m | <b>Net<br/>amount<br/>\$m</b> |
|---|------------------------|----------------------------|-------------------------------|
| At start of period                                | 5.6                    | (2.5)                      | <b>3.1</b>                    |
| Payments made upon retirement                     | (0.6)                  | (1.2)                      | <b>(1.8)</b>                  |
| Net movement in provision – charged to net profit | 1.5                    | 0.6                        | <b>2.1</b>                    |
| Foreign exchange movements                        | (0.4)                  | 0.2                        | <b>(0.2)</b>                  |
| <b>Total obligation</b>                           | 6.1                    | (2.9)                      | <b>3.2</b>                    |

### Defined Contribution Pension Plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was \$2.8m (2017: \$2.7m). There was \$nil accruing to these pension schemes as at 31 December 2018 (2017: \$nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 21. Employee Benefits continued

#### Share-Based Payments

As at 31 December 2018 there were four types of share option and share schemes: the Cineworld Group 2007 Performance Share Plan, the Cineworld Group plc Company Share Option Plan, the Cineworld Group 2017 Long Term Incentive Plan and the Cineworld Group 2007 Sharesave Scheme. Details of each of the schemes are set out in the Directors' Remuneration Report on pages 55 to 66.

#### The Cineworld Group Performance Share Plan ("PSP")

Assumptions relating to grants of share options outstanding are as follows:

| Date of grant    | Exercise period               | 2018 Number of shares '000 | 2017 Number of shares '000 |
|------------------|-------------------------------|----------------------------|----------------------------|
| 23 April 2015    | 3 years from 23 April 2015    | -                          | 395                        |
| 30 June 2015     | 3 years from 30 June 2015     | -                          | 7                          |
| 18 April 2016    | 3 years from 18 April 2016    | 762                        | 332                        |
| 22 November 2016 | 3 years from 22 November 2016 | 18                         | 8                          |
| 12 April 2017    | 3 years from 12 April 2017    | 805                        | 361                        |

Under the PSP, awards of conditional shares or nil cost options can be made that vest or become exercisable after three years subject to continued employment and generally the achievement of specified performance conditions as follows:

#### 23 April and 30 June 2015

Under these grants, awards of 517,530 shares were made in total. Awards of 405,826 shares were made with the performance conditions set out below:

- 30% of the shares under the Award will vest if the average annual growth in earnings per share ("EPS") (calculated by comparing the EPS for the financial year ended 1 January 2015 and the EPS for the financial year ended 31 December 2017) is not less than 8.0%;
- 100% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 1 January 2015 and the EPS for the financial year ended 31 December 2017) is at least 16.0%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 1 January 2015 and the EPS for the financial year ended 31 December 2017) is between the two limits above, the Award shall vest on a straight-line basis between 30% and 100%.

"EPS" means adjusted earnings per share calculated by dividing the profits for the period attributable to ordinary shareholders (adjusted by adding back the amortisation of intangible assets and other one-off income or expense adjusted pro forma and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period, after excluding non-vested ordinary shares held by the Employee Benefit Trust at that time and adjusting for the effects of dilutive options.

Further awards over 111,704 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

#### 18 April 2016

Under these grants, awards of 366,465 shares were made in total. Awards of 253,192 shares were made with the performance conditions set out below:

- 30% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2015 and the EPS for the financial year ending 31 December 2018) is not less than 6.0%;
- 100% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2015 and the EPS for the financial year ended 31 December 2018) is at least 12.0%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2015 and the EPS for the financial year ended 31 December 2018) is between the two limits above, the Award shall vest on a straight-line basis between 30% and 100%.

EPS means adjusted earnings per share calculated by dividing the profits for the period attributable to ordinary shareholders (adjusted by adding back the amortisation of intangible assets and other one-off income or expense adjusted pro forma and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period, after excluding non-vested ordinary shares held by the Employee Benefit Trust at that time and adjusting for the effects of dilutive options.

Further awards over 113,273 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

**21. Employee Benefits** continued**The Cineworld Group Performance Share Plan ("PSP") continued**

12 April 2017

Under these grants, awards of 361,291 shares were made in total. Awards of 283,483 shares were made with the performance conditions set out below:

- 25% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2016 and the EPS for the financial year ended 31 December 2019) is not less than 5.0%;
- 100% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2016 and the EPS for the financial year ended 31 December 2019) is at least 11.0%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 31 December 2016 and the EPS for the financial year ended 31 December 2019) is between the two limits above, the Award shall vest on a straight-line basis between 25% and 100%.

EPS means adjusted earnings per share calculated by dividing the profits for the period attributable to ordinary shareholders (adjusted by adding back the amortisation of intangible assets and other one-off income or expense adjusted pro forma and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period, after excluding non-vested ordinary shares held by the Employee Benefit Trust at that time and adjusting for the effects of dilutive options.

Further awards over 77,808 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

Assumptions relating to grants of share options outstanding are as follows:

| Date of grant    | Share price at grant<br>\$ | Exercise price<br>\$ | Expected volatility<br>% | Expected life<br>years | Dividend yield<br>% | Risk free rate<br>% | Fair value<br>\$ |
|------------------|----------------------------|----------------------|--------------------------|------------------------|---------------------|---------------------|------------------|
| 23 April 2015    | 7.23                       | -                    | 39                       | 3                      | 4.3                 | 0.59                | 6.34             |
| 30 June 2015     | 7.57                       | -                    | 39                       | 3                      | 4.3                 | 0.59                | 6.64             |
| 18 April 2016    | 7.79                       | -                    | 38                       | 3                      | 2.9                 | 0.37                | 7.13             |
| 22 November 2016 | 6.83                       | -                    | 38                       | 3                      | 2.9                 | 0.37                | 6.26             |
| 12 April 2017    | 8.39                       | -                    | 37                       | 3                      | 3.6                 | 0.3                 | 7.52             |

A reconciliation of option movements over the year to 31 December 2018 is shown below:

|   | Number of options 2018<br>Equity-settled<br>'000 | Number of options 2017<br>Equity-settled<br>'000 |
|---|--|--|
| Outstanding at the beginning of the year  | 1,103  | 1,324  |
| Adjustment due to rights issue            | 1,406  | -  |
| Exercised in shares during the year       | (877)  | (567)  |
| Granted during the year                   | -  | 361  |
| Lapsed during the year                    | (47)   | (15)   |
| <b>Outstanding at the end of the year</b> | <b>1,585</b>                                     | <b>1,103</b>                                     |

A charge of \$2.0m was recorded in the Consolidated Statement of Profit or Loss for the four PSP schemes.

The Company Long Term Incentive Plan ('LTIP')

The following share options have been granted under the LTIP and were outstanding at 31 December 2018:

| Date of grant | Exercise period            | 2018 Number of shares<br>'000 | 2017 Number of shares<br>'000 |
|---------------|----------------------------|-------------------------------|-------------------------------|
| 23 April 2018 | 3 years from 23 April 2018 | 1,618                         | -                             |

23 April 2018

Under these grants, awards of 1,617,997 shares were made in total. Awards of 1,399,843 shares were made with the performance conditions set out below:

- 25% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 1 January 2017 and the EPS for the financial year ended 31 December 2020) is not less than 8%;
- 100% of the shares under the Award will vest if the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 1 January 2017 and the EPS for the financial year ended 31 December 2020) is at least 15%, and
- where the average annual growth in EPS (calculated by comparing the EPS for the financial year ended 1 January 2017 and the EPS for the financial year ended 31 December 2020) is between the two limits above, the Award shall vest on a straight-line basis between 25% and 100%.

EPS means adjusted earnings per share calculated by dividing the profits for the period attributable to ordinary shareholders (adjusted by adding back the amortisation of intangible assets and other one-off income or expense adjusted pro forma and applying a tax effect on all adjustments) by the number of ordinary shares outstanding at the end of the period, after excluding non-vested ordinary shares held by the Employee Benefit Trust at that time and adjusting for the effects of dilutive options.

Further awards over 218,154 shares were made which will vest after three years subject to continued employment only, with no specified performance conditions attached.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 21. Employee Benefits continued

#### The Cineworld Group Performance Share Plan (“PSP”) continued

Assumptions relating to grants of share options outstanding are as follows:

| Date of grant        | Share price at grant<br>\$ | Exercise price<br>\$ | Expected volatility<br>% | Expected life<br>years | Dividend yield<br>% | Risk free rate<br>% | Fair value<br>\$ |
|----------------------|----------------------------|----------------------|--------------------------|------------------------|---------------------|---------------------|------------------|
| <b>23 April 2018</b> | 3.6                        | -                    | 38.1%                    | 3                      | 2.5%                | 0.91%               | 3.3              |

A reconciliation of option movements over the year to 31 December 2018 is shown below:

|   | Number of options 2018<br>Equity-settled<br>'000 | Number of options 2017<br>Equity-settled<br>'000 |
|---|--|--|
| Outstanding at the beginning of the year  | -  | -  |
| Exercised during the year                 | -  | -  |
| Granted during the year                   | <b>1,618</b>                                     | -  |
| Lapsed during the year                    | -  | -  |
| <b>Outstanding at the end of the year</b> | <b>1,618</b>                                     | -  |

A charge of \$1.2m was recorded in the Consolidated Statement of Profit or Loss for the LTIP scheme.

#### The Company Share Option Plan (“CSOP”)

The following share options have been granted under the CSOP and were outstanding at 31 December 2018:

| Date of grant | Exercise period            | 2018<br>Number of<br>shares<br>'000 | 2017<br>Number of<br>shares<br>'000 | Performance conditions   |
|---------------|----------------------------|-------------------------------------|-------------------------------------|--|
| 6 June 2014   | 3 years from 6 June 2014   | <b>7</b>                            | 3                                   | Awards of 2,891 shares were made with the same conditions as the 2014 PSP grant. Awards of 14,455 were made with no performance conditions attached. |
| 23 April 2015 | 3 years from 23 April 2015 | <b>52</b>                           | 29                                  | All awards were made with no performance conditions attached.  |
| 18 April 2016 | 3 years from 18 April 2016 | <b>33</b>                           | 15                                  | All awards were made with no performance conditions attached.  |

Assumptions relating to grants of share options outstanding are as follows:

| Date of grant | Share price at grant<br>\$ | Exercise price<br>\$ | Expected volatility<br>% | Expected life<br>years | Dividend yield<br>% | Risk free rate<br>% | Fair value<br>\$ |
|---------------|----------------------------|----------------------|--------------------------|------------------------|---------------------|---------------------|------------------|
| 6 June 2014   | 5.82                       | 5.82                 | 41                       | 3 - 10 years           | 4.3                 | 0.56                | 1.23             |
| 23 April 2015 | 7.23                       | 7.23                 | 39                       | 3 - 10 years           | 4.3                 | 0.59                | 1.41             |
| 18 April 2016 | 7.79                       | 7.78                 | 38                       | 3 - 10 years           | 2.9                 | 0.37                | 1.65             |

A reconciliation of option movements over the year to 31 December 2018 is shown below:

|   | Number of options 2018<br>Equity-settled | Number of options 2017<br>Equity-settled |
|---|--|--|
| Outstanding at the beginning of the year  | <b>47</b>                                | 64                                       |
| Adjustments due to rights issue           | <b>59</b>                                | -  |
| Exercised during the year                 | <b>(9)</b>                               | (11)                                     |
| Granted during the year                   | -  | -  |
| Lapsed during the year                    | <b>(5)</b>                               | (6.0)                                    |
| <b>Outstanding at the end of the year</b> | <b>92</b>                                | 47                                       |

A charge of \$nil was recorded in the Consolidated Statement of Profit or Loss for the three CSOP schemes.



**21. Employee Benefits** continued**Sharesave Scheme**

The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options.

The following share options have been granted under the Sharesave scheme and were outstanding at 31 December 2018:

| Exercise Period |                            | 2018<br>Number<br>of shares<br>'000 | 2017<br>Number<br>of shares<br>'000 |
|-----------------|----------------------------|-------------------------------------|-------------------------------------|
| 8 May 2014      | 3 years from 23 April 2015 | -                                   | -                                   |
| 12 May 2015     | 3 years from 30 June 2015  | -                                   | 273                                 |

A reconciliation of option movement over the year to 31 December 2018 is shown below:

|   | Number of<br>options 2018<br>Equity-<br>settled<br>'000 | Number of<br>options 2017<br>Equity-<br>settled<br>'000 |
|---|---|---|
| Outstanding at the beginning of the year  | 273   | 679   |
| Adjustments due to rights issue           | 343   | -   |
| Exercised during the year                 | (604)   | (370)   |
| Granted during the year                   | -   | -   |
| Lapsed during the year                    | (10)  | (36)  |
| <b>Outstanding at the end of the year</b> | <b>2</b>  | <b>273</b>  |

A charge of \$nil was recorded in the Consolidated Statement of Profit or Loss for the two Sharesave schemes.

A total expense recognised for the year arising from share-based payments is \$3.2m.

The share-based payment expense recognised in creditors relates to dividends accrued by the option holders over the vesting period.

The number and weighted average exercise prices of share options in equity-settled schemes are as follows:

|   | Weighted<br>average<br>exercise price<br>2018<br>\$<br>Equity-<br>settled | Number of<br>options<br>2018<br>Equity-<br>settled<br>'000 | Weighted<br>average<br>exercise price<br>2017<br>\$<br>Equity-<br>settled | Number of<br>options<br>2017<br>Equity-<br>settled<br>'000 |
|---|---|--|---|--|
| Outstanding at the beginning of the year  | 1.2   | 1,423  | 1.44  | 2,067  |
| Adjustments due to rights issue           | 1.2   | 1,808  | -   | -  |
| Exercised during the year                 | 2.1   | (1,490)  | 1.35  | (948)  |
| Granted during the year                   | -   | 1,618  | -   | 361  |
| Lapsed during the year                    | 1.4   | (62)   | 3.61  | (57)   |
| <b>Outstanding at the end of the year</b> | <b>0.2</b>  | <b>3,297</b>   | <b>1.21</b>   | <b>1,423</b>   |
| <b>Exercisable at the end of the year</b> | <b>0.1</b>  | <b>60</b>  | <b>-</b>  | <b>-</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 21. Employee Benefits continued

#### Single Total Figure Table (audited information)

The table below gives a single figure for the total remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2018 financial year. Comparative figures for the 2017 financial year have also been provided.

|   | Salary and<br>fees including<br>bonus<br>\$000 | Pension<br>contributions<br>\$000 | Total<br>\$000 |
|---|--|-----------------------------------|----------------|
| <b>Year ended 31 December 2018</b>              |  |                                   |                |
| Total compensation for Directors                | <b>8,548.9</b>                                 | <b>404.5</b>                      | <b>8,953.4</b> |
|   | Salary and<br>fees including<br>bonus<br>\$000 | Pension<br>contributions<br>\$000 | Total<br>\$000 |
| <b>Year ended 31 December 2017</b>              |  |                                   |                |
| Total compensation for Directors <sup>(1)</sup> | 6,155.9  | 301.4                             | 6,457.3        |

Share-based compensation benefit charges for Directors was \$2.6m in 2018 (2017: \$2.6m). Full details of Directors' Remuneration including the highest paid Director can be found in the Directors' Remuneration Report on pages 55 to 66.

(1) 2017 figures set out in the table above were translated to \$USD by using average exchange rate of 2017. Translating the figures on a constant currency basis, by applying the average exchange rate for 2018 to both the 2018 and 2017 amounts will yield the following:

Salary and fees including bonus \$6,381,000 and pension contributions of \$312,400. Totalling \$6,693,400.

### 22. Provisions

|  | Property<br>provisions<br>\$m | Other<br>provisions<br>\$m | Total<br>provisions<br>\$m |
|--|-------------------------------|----------------------------|----------------------------|
| <b>Balance at 31 December 2017</b>                             | <b>12.1</b>                   | <b>3.1</b>                 | <b>15.2</b>                |
| Provisions added through acquisition                           | 348.5                         | 39.5                       | <b>388.0</b>               |
| Provisions made  | 4.5                           | 1.5                        | <b>6.0</b>                 |
| Provisions utilised to administrative expenses during the year | (6.0)                         | (2.7)                      | <b>(8.7)</b>               |
| Utilised against rent during the year                          | (54.7)                        | -                          | <b>(54.7)</b>              |
| Unwind against interest during the year                        | 22.3                          | -                          | <b>22.3</b>                |
| Effect of movement in foreign exchange rates                   | (0.4)                         | 0.1                        | <b>(0.3)</b>               |
| <b>Balance at 31 December 2018</b>                             | <b>326.3</b>                  | <b>41.5</b>                | <b>367.8</b>               |
| Current  | 49.6                          | 41.0                       | <b>90.6</b>                |
| Non-current  | 276.7                         | 0.5                        | <b>277.2</b>               |
| <b>Total</b>   | <b>326.3</b>                  | <b>41.5</b>                | <b>367.8</b>               |

Other provisions include amounts in respect of open claims by suppliers, which been assessed by applying the expected payments based on settlement of historic claims, and legal claims which have been assessed based on legal advice received.

Property provisions relate to onerous leases, dilapidations, market rent adjustments and other property liabilities. Market rent provisions relate to the fair value of liabilities on leases acquired, which are assessed on acquisition and released over the remaining life of the lease.

The property provision includes onerous leases, which are assessed as being the unavoidable costs of the lease obligations in excess of the economic benefits expected to be received from operating it. The unavoidable costs of the lease reflect the lease net cost of exiting from the contract and are measured as the lower of the net cost of continuing to operate the lease and any penalties or other costs from exiting it, measured on a discounted basis. The remaining provision will be utilised over the period to the next rent review date or the remaining lease life depending on the term of the lease. This is between one and 30 years (see further analysis below).

|   | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|---|----------------------------|----------------------------|
| <b>Expected timing for utilisation of property provisions</b> |                            |                            |
| Analysed as:  |                            |                            |
| Within one year   | <b>49.6</b>                | 2.0                        |
| Between one and two years                                     | <b>45.2</b>                | 3.0                        |
| Between two and five years                                    | <b>106.7</b>               | 3.9                        |
| Over five years   | <b>124.8</b>               | 3.2                        |
|   | <b>326.3</b>               | 12.1                       |

## 23. Capital and Reserves

### Share Capital

|  | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|--|----------------------------|----------------------------|
| <i>Allotted, called up and fully paid</i>                        | <b>20.1</b>                | 5.0                        |
| 1,371,163,021 (2017: 273,915,718) ordinary shares of £0.01 each. |                            |                            |

On 20 February 2018 the company's shareholders subscribed to a rights issue of 1,095,705,180 ordinary shares which were issued at 157.0 pence per share on the basis of four shares for every one ordinary shares held. The issue was fully subscribed. Transaction costs directly associated with the Rights Issue of \$35.6m were capitalised against the issued capital balance recognised in equity.

A capital transfer occurred on 26 June 2018, resulting in a transfer of \$2,361.3m from share premium to retained earnings.

#### Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

#### Merger Reserve

In accordance with Section 612 of the Companies Act 2006, the premium on ordinary shares issued in relation to acquisitions is recorded as a merger reserve.

A capital reduction occurred on 26 June 2018, resulting in a transfer of \$407.4m from share premium to retained earnings.

#### Fair Value Reserve

The fair value reserve comprises the net change in the fair value of equity securities designated as held at fair value.

#### Hedging Reserve

On 28 February 2018, the Group restructured its debt facilities repaying the Euro denominated loan held at 31 December 2017. This loan had been designated as a hedging instrument in relation to the net investment hedge recognised at 31 December 2017. In addition to the net investment hedge, the hedging reserve also comprised the liability in relation to the interest rate swaps entered into, to hedge against variable interest payments on the bank debt held at 31 December 2017.

On repayment of the loan and settlement of interest rate swaps, the hedging reserve was recycled resulting in a net charge of \$3.5m to the Statement of Profit or Loss.

The hedging reserve at 31 December 2018 comprises the movements to date in relation to the interest rate swaps entered into, to hedge against variable interest payments on 97.3% \$32.8m of the total \$33.6m of the joint operation DCIP bank debt. As hedge accounting has been adopted the gains / losses are recorded through equity until such time as the cash flows being hedged occur, when they are recycled to the statement of Profit or Loss. No loss was recycled during 2018.

#### Dividends

The following dividends were recognised during the year:

|                                | 2018<br>\$m  | 2017<br>\$m |
|--------------------------------|--------------|-------------|
| Interim                        | <b>66.5</b>  | 22.2        |
| Final (for the preceding year) | <b>56.3</b>  | 47.5        |
|                                | <b>122.8</b> | 69.7        |

An interim dividend of 4.85c per share was paid on 5 October 2018 to ordinary shareholders. The Board has proposed a final dividend of 10.15c per share, which will result in total cash payable of approximately \$140.0m on 5 July 2019. In accordance with IAS 10 this had not been recognised as a liability at 31 December 2018.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 23. Capital and Reserves continued

Details of the first, second and third interim dividend payment for the year ended 31 December 2019 are set out below:

|   |                                |
|---|--------------------------------|
| Dividend Payment                          | <b>3.75c being 25% of FY18</b> |
| Ex-Dividend Date                          | <b>13 June 2019</b>            |
| Record Date                               | <b>14 June 2019</b>            |
| Final Date for Currency Election          | <b>14 June 2019</b>            |
| Interim Dividend Exchange Rate Determined | <b>21 June 2019</b>            |
| Payment Date                              | <b>5 July 2019</b>             |

|   |                                |
|---|--------------------------------|
| Dividend Payment                          | <b>3.75c being 25% of FY18</b> |
| Ex-Dividend Date                          | <b>12 September 2019</b>       |
| Record Date                               | <b>13 September 2019</b>       |
| Final Date for Currency Election          | <b>13 September 2019</b>       |
| Interim Dividend Exchange Rate Determined | <b>20 September 2019</b>       |
| Payment Date                              | <b>4 October 2019</b>          |

|   |                                |
|---|--------------------------------|
| Dividend Payment                          | <b>3.75c being 25% of FY18</b> |
| Ex-Dividend Date                          | <b>12 December 2019</b>        |
| Record Date                               | <b>13 December 2019</b>        |
| Final Date for Currency Election          | <b>13 December 2019</b>        |
| Interim Dividend Exchange Rate Determined | <b>20 December 2019</b>        |
| Payment Date                              | <b>10 January 2019</b>         |

The Group plans to announce a final dividend alongside its full results for the year ending 31 December 2019 in March 2020.

### 24. Financial Instruments

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's Risk Management Framework. The Group has in place a risk management programme and regular reports are made to the Audit Committee, which is tasked with general oversight.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## 24. Financial Instruments continued

### Overview continued

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the Risk Management Framework in relation to the risks by the Group. The Group's Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of certain risk management controls and procedures, the results of which are reported to the Audit Committee

### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's credit risk is primarily attributable to its trade receivables. However due to the nature of the Group's business, trade receivables are not significant in proportion to the total revenue generated, which limits the related credit risk. The Group's trade receivables are disclosed in Note 17. Of the total balance of \$206.6m (2017 \$39.9m) due, 76% (2017: 75%) are within credit terms. The loss allowance as at 31 December 2018 is \$1.0m, (2017: \$nil), with a loss allowance expense of \$nil (2017: \$nil).

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. The amounts disclosed in the table are contractual undiscounted cash flows, including interest payments calculated using interest rates in force at each reporting date, so will not always reconcile with the amounts disclosed on the Consolidated Statement of Financial Position.

#### 31 December 2018

|   | Carrying amount<br>\$m | Contractual cash flows<br>\$m | 6 months or less<br>\$m | 6-12 months<br>\$m | 1-2 years<br>\$m | 2-5 years<br>\$m | More than 5 years<br>\$m |
|---|------------------------|-------------------------------|-------------------------|--------------------|------------------|------------------|--------------------------|
| <b>Non-derivative financial liabilities</b> |                        |                               |                         |                    |                  |                  |                          |
| Unsecured bank loans                        | 3,912.5                | (3,990.6)                     | (20.1)                  | (20.1)             | (40.2)           | (3,910.2)        | -                        |
| Secured Bank loans                          | 33.6                   | (33.6)                        | (16.8)                  | (16.8)             | -                | -                | -                        |
| Loan note                                   | 3.0                    | (3.0)                         | (1.5)                   | (1.5)              | -                | -                | -                        |
| Finance lease liabilities                   | 100.5                  | (143.6)                       | (11.7)                  | (11.7)             | (16.0)           | (40.9)           | (63.3)                   |
| Trade payables                              | 231.8                  | (231.8)                       | (231.8)                 | -                  | -                | -                | -                        |
| <b>Derivative financial asset</b>           |                        |                               |                         |                    |                  |                  |                          |
| Interest rate swaps                         | (0.2)                  | 0.4                           | 0.4                     | -                  | -                | -                | -                        |
|   | <b>4,281.2</b>         | <b>(4,402.2)</b>              | <b>(281.5)</b>          | <b>(50.1)</b>      | <b>(56.2)</b>    | <b>(3,951.1)</b> | <b>(63.3)</b>            |

#### 31 December 2017

|   | Carrying amount<br>\$m | Contractual cash flows<br>\$m | 6 months or less<br>\$m | 6-12 months<br>\$m | 1-2 years<br>\$m | 2-5 years<br>\$m | More than 5 years<br>\$m |
|---|------------------------|-------------------------------|-------------------------|--------------------|------------------|------------------|--------------------------|
| <b>Non-derivative financial liabilities</b> |                        |                               |                         |                    |                  |                  |                          |
| Unsecured bank loans                        | 444.6                  | (446.7)                       | (10.1)                  | (10.1)             | (17.4)           | (409.1)          | -                        |
| Finance lease liabilities                   | 21.6                   | (43.6)                        | (0.8)                   | (0.8)              | (1.8)            | (5.5)            | (34.7)                   |
| Trade payables                              | 38.2                   | (38.2)                        | (38.2)                  | -                  | -                | -                | -                        |
| <b>Derivative financial asset</b>           |                        |                               |                         |                    |                  |                  |                          |
| Interest rate swaps                         | (0.1)                  | (0.5)                         | (0.2)                   | (0.2)              | (0.1)            | -                | -                        |
|   | <b>504.3</b>           | <b>(528.8)</b>                | <b>(49.3)</b>           | <b>(11.1)</b>      | <b>(19.3)</b>    | <b>(414.6)</b>   | <b>(34.5)</b>            |

On 28 February 2018 the Group restructured its debt facilities. The restructured debt arrangement consists of a \$3,325.0m US Dollar, a €607.6m Euro term loan and a \$300.0m revolving credit facility 'RCF'. The financing arrangements including associated derivatives in place as at 31 December 2017 for the Group were settled.

There are no covenants attached to the Group's borrowings, other preparing the principal borrowers ('Crown UK HoldCo Limited') financial statements and the calculation of the first lien net leverage ratio and total net leverage ratio. A margin, determined by the first lien net leverage ratio at a given date is added to the US Base rate or an additional margin of 1% for the US and Euro term loans respectively. A margin, determined by the first lien net leverage ratio at a given date determines the interest charged on the RCF. The margins currently applicable to the Group are 2.5% on the US Term loan and 2.25% on the Euro term loan. The RCF is currently undrawn and therefore no interest is charged on this facility.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 24. Financial Instruments continued

#### Cash Flow Hedges

The following table indicates the periods in which the discounted cash flows associated with derivatives that are cash flow hedges are expected to occur.

#### 31 December 2018

|                     | Carrying amount<br>\$m | Expected cash flows<br>\$m | 6 months or less<br>\$m | 6-12 months<br>\$m | 1-2 years<br>\$m | 2-5 years<br>\$m | More than 5 years<br>\$m |
|---------------------|------------------------|----------------------------|-------------------------|--------------------|------------------|------------------|--------------------------|
| Interest rate swaps | 0.2                    | (0.4)                      | (0.4)                   | -                  | -                | -                | -                        |

#### 31 December 2017

|                     | Carrying amount<br>\$m | Expected cash flows<br>\$m | 6 months or less<br>\$m | 6-12 months<br>\$m | 1-2 years<br>\$m | 2-5 years<br>\$m | More than 5 years<br>\$m |
|---------------------|------------------------|----------------------------|-------------------------|--------------------|------------------|------------------|--------------------------|
| Interest rate swaps | 0.1                    | (0.3)                      | (0.1)                   | (0.2)              | -                | -                | -                        |

The interest rate swaps attached to the Group's borrowings at 31 December 2017 were settled on 28 February 2018 as part of the restructure of the Group's borrowing facilities. At this date the cash-flow hedges were recycled from the hedging reserve resulting in a gain of \$0.1m recognised in Other Comprehensive Income.

The interest rate swaps in place at 31 December 2018 are in relation to the hedging of the joint operation DCIP borrowings.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Foreign Currency Risk

Operating across ten territories increase the Groups exposure to currency risk. Wherever possible, overseas operations will fund their day-to-day working capital requirements in local currency with cash generated from operations, naturally hedging the currency risk exposure to the Group. Management will continually monitor the level of currency risk exposure, and consider hedging where appropriate. Currently the Group considers the currency risk on consolidation of the assets and liabilities of its foreign entities to be of low materiality, no hedging has been undertaken.

#### Interest Rate Risk

Interest rate risk arises from the Group's borrowing facilities in which a variable rate of interest is charged. The Group has historically managed this risk by securing fixed interest rates on a portion of its term loans.

Whilst fixed-rate interest-bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling.

In addition, the fair value risk inherent in fixed-rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process.

Exposure to interest rate risk is monitored through several measures including sensitivity and scenario testing and a cost benefit analysis of entering into interest rate swaps to mitigate this risk.

The Group believes it is more cost effective for the US Term loan to remain unhedged. The Group however uses interest rate swaps agreed with other parties to a hedge a portion of the interest charged on the Euro term loan. Interest rate swaps are measured at fair value, which have been calculated by discounting the expected future cash flows at prevailing interest rates.

At 31 December 2018 the Group had two (2017: three) interest rate swaps. The interest rate swaps were comprised of one EUR denominated swap which was entered into under the previous financing arrangements, which hedged Nil% (2017: 83.0%) of the Euro denominated unsecured loan. A USD denominated swap which was in place hedged 97.3% of the \$33.6m USD denominated DCIP secured loan.

**24. Financial Instruments** continued**Interest Rate Risk continued**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

|   | Carrying amount         |                         |
|---|-------------------------|-------------------------|
|   | 31 December 2018<br>\$m | 31 December 2017<br>\$m |
| <b>Fixed rate instruments</b>                                   |                         |                         |
| Financial assets (interest rate swap)                           | (0.2)                   | (0.1)                   |
| Financial liabilities (secured bank loans - hedged portion)     | 32.8                    | 169.6                   |
| Loan note   | 3.0                     | -                       |
| Finance lease liabilities                                       | 100.5                   | 21.5                    |
|   | <b>136.1</b>            | 191.0                   |
| <b>Variable rate instruments</b>                                |                         |                         |
| Financial liabilities (secured bank loans - unhedged portion)   | 0.8                     | -                       |
| Financial liabilities (unsecured bank loans - unhedged portion) | 3,912.5                 | 275.0                   |

\$32.8m (2017: \$169.6m) of the variable rate financial liability is hedged via the interest rate swaps with the balance attracting a variable interest rate.

**Fair Value Sensitivity Analysis for Fixed Rate Instruments**

The Group accounts for fixed-rate derivative financial instruments (interest rate swaps) at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Profit or Loss except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

A change of 100 basis points in interest rates would have increased equity by \$0.6m (2017: \$2.0m) or decreased equity by \$0.6m (2017: \$2.0m) for each swap and would have increased or decreased profit or loss by \$nil.

**Cash Flow Sensitivity Analysis for Variable Rate Instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

| Effect in Dollars thousands        | Profit or loss  |                 | Equity          |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| <b>31 December 2018</b>            |                 |                 |                 |                 |
| Variable rate instruments          | (40.9)          | 40.9            | (40.9)          | 40.9            |
| Interest rate swap                 | 0.6             | (0.6)           | 0.6             | (0.6)           |
| <b>Cash flow sensitivity (net)</b> | <b>(40.3)</b>   | <b>40.3</b>     | <b>(40.3)</b>   | <b>40.3</b>     |
| <b>31 December 2017</b>            |                 |                 |                 |                 |
| Variable rate instruments          | (4.0)           | 4.0             | (4.0)           | 4.0             |
| Interest rate swap                 | 2.0             | (2.0)           | 2.0             | (2.0)           |
| Cash flow sensitivity (net)        | (2.0)           | 2.0             | (2.0)           | 2.0             |

**Fair Values**

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

Short-term debtors, creditors and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

|                           | Carrying amount<br>31 December 2018<br>\$m | Fair value<br>31 December 2018<br>\$m | Carrying amount<br>31 December 2017<br>\$m | Fair value<br>31 December 2017<br>\$m |
|---------------------------|--|---------------------------------------|--|---------------------------------------|
| Unsecured bank loans      | 3,912.5                                    | 3,990.6                               | 444.6                                      | 446.6                                 |
| Secured Bank Loans        | 33.6                                       | 33.6                                  | -  | -                                     |
| Finance lease liabilities | 100.5                                      | 100.5                                 | 21.5                                       | 21.5                                  |
| Loan notes                | 3.0  | 3.0                                   | -  | -                                     |
| Equity investments        | (7.5)                                      | (7.5)                                 | -  | -                                     |
| Interest rate swaps       | (0.2)                                      | (0.2)                                 | (0.1)                                      | (0.1)                                 |
|                           | <b>4,041.9</b>                             | <b>4,120.0</b>                        | 466.0                                      | 468.0                                 |

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of unsecured bank loans is stated net of debt issuance costs and the fair value is stated gross of debt issuance costs and is calculated using the market interest rates.

The fair value of investments has been calculated by reference to quoted market values. The Group holds one unquoted equity investment and have concluded that the cost of this investment represents its fair value at 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 24. Financial Instruments continued

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 31 December 2018 and 31 December 2017. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

#### Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

|                                       | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |
|---------------------------------------|----------------|----------------|----------------|--------------|
| <b>31 December 2018</b>               |                |                |                |              |
| Derivative financial instruments      | -              | (0.2)          | -              | (0.2)        |
| Equity investments                    | (2.5)          | -              | (5.0)          | (7.5)        |
| Loan notes                            | -              | 3.0            | -              | 3.0          |
| Interest-bearing loans and borrowings | -              | 4,024.2        | -              | 4,024.2      |
| <b>31 December 2017</b>               |                |                |                |              |
| Derivative financial instruments      | -              | 0.1            | -              | 0.1          |
| Interest-bearing loans and borrowings | -              | 466.2          | -              | 466.2        |

There have been no transfers between levels in 2018. No other financial instruments are held at fair value.

#### Capital Management

The capital structure of the Group consists of the following items:

|   | 2018<br>\$m    | 2017<br>\$m |
|---|----------------|-------------|
| Cash and cash equivalents                           | 316.3          | 91.0        |
| Bank loans  | 3,946.1        | 444.6       |
| Equity attributable to equity holders of the parent | 3,645.9        | 1,125.9     |
|   | <b>7,908.3</b> | 1,661.5     |

The Board of Directors constantly monitors the ongoing capital requirements of the business and has reviewed the current gearing ratio, being the ratio of bank debt to equity and considers it appropriate for the Group's current circumstances. Ratios used in the monitoring of debt capital include the ratio of Adjusted EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges.

The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, to provide returns for shareholders and to optimise the capital structure to reduce the cost of capital. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

### 25. Operating Leases

Non-cancellable operating lease rental commitments for land and buildings are as follows:

|                            | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m |
|----------------------------|----------------------------|----------------------------|
| Less than one year         | 593.3                      | 146.0                      |
| Between one and five years | 2,045.5                    | 553.8                      |
| More than five years       | 2,734.6                    | 1,493.5                    |
|                            | <b>5,373.4</b>             | 2,193.3                    |

The total future minimum sublease payments expected to be received are \$27.2m.

## 26. Capital Commitments

### Lease Arrangements

The Group enters into operating leases for sites in all territories in US, UK and Ireland and the ROW. These leases are typically for 15 – 35 years with rent increases and options to renew leases determined in line with local market practice in each territory. The key contractual terms of each lease are taken into consideration when calculating the rental charge over the lease term. There are no significant restrictions placed on the Group as a result of its leasing arrangements.

Capital commitments at the end of the financial year for which no provision has been made:

|            | <b>31 December<br/>2018<br/>\$m</b> | 31 December<br>2017<br>\$m |
|------------|-------------------------------------|----------------------------|
| Contracted | <b>322.3</b>                        | 31.6                       |

Capital commitments at the end of the current and preceding financial year relate to new sites and refurbishment projects which have commenced or have been committed to through a executed lease agreement or lease amendment. A portion of this committed capital will be partially funded by the respective site landlord.

### 27. Related Parties

The compensation of the Directors is as follows:

|   | Salary and<br>fees including<br>bonus<br>\$000 | Pension<br>contributions<br>\$000 | Total<br>\$000 |
|---|--|-----------------------------------|----------------|
| <b>Year ended 31 December 2018</b>              |  |                                   |                |
| Total compensation for Directors                | <b>8,548.9</b>                                 | <b>404.5</b>                      | <b>8,953.4</b> |
| <b>Year ended 31 December 2017</b>              |  |                                   |                |
| Total compensation for Directors <sup>(1)</sup> | 6,155.9  | 301.4                             | 6,457.3        |

Share-based compensation benefit charges for Directors was \$2.6m in 2018 (2017: \$2.6m). Details of the highest paid Director can be found in the Directors' Remuneration Report on pages 55 to 66.

(1) 2017 figures set out in the table above were translated to \$USD by using average exchange rate of 2017. Translating the figures on a constant currency basis, by applying the average exchange rate for 2018 to both the 2018 and 2017 amounts will yield the following:

Salary and fees including bonus \$6,381,000 and pension contributions of \$312,000. Total of \$6,693,400.

Information in this table is reported in £GBP in the Directors Remuneration Report which can be found on pages 55 to 66.

### Other Related Party Transactions

Digital Cinema Media Limited ("DCM") is a joint venture between the Group and Odeon Cinemas Holdings Limited set up on 10 July 2008. Revenue receivable from DCM in the year ended 31 December 2018 totalled \$25.2m (2017: \$26.8m) and as at 31 December 2018 \$3.3m (2017: \$5.1m) was due from DCM in respect of receivables. In addition, the Group has a working capital loan outstanding from DCM of \$0.6m (2017: \$0.7m)

NCM is a joint venture between AMC Entertainment Holdings Inc, Cinemark Holdings Inc and the Group. As at 31 December 2018 \$1.3m was due to NCM in respect of trade payables and \$2.7m was due from NCM in respect of trade receivables.

The Group has a note payable to NCM in the amount of \$3.0m as at 31 December 2018 as outlined in Note 19. The note bears interest at 5.0% per year. Revenue receivable from NCM in the year ended 31 December 2018 totalled \$80.1m

Fathom AC JV is a joint venture between AMC Entertainment Holdings Inc, Cinemark Holdings Inc and NCM. There were no transactions during the year. As at 31 December 2018 \$3.0m was due to Fathom AC in respect of trade payables.

The Group holds a minority interest in iPic Entertainment LLC and Atom Tickets LLC. At 31 December 2018 \$5.5m was due from Atom in respect of trade receivables. There were no transactions with iPic Entertainment LLD during the year.

During the year the Group incurred property charges of \$9.6m by companies under the ownership of Global City Holdings N.V. ("GCH"), a company in which Moshe Greidinger and Israel Greidinger, directors of the Group, have a controlling interest.

Details of subsidiaries held by the Group can be found in Note 30.

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2018**

|  | Note | 31 December<br>2018<br>\$m | 31 December<br>2018<br>\$m | 31 December<br>2017<br>\$m | 31 December<br>2017<br>\$m | 31 December<br>2016<br>\$m | 31 December<br>2016<br>\$m |
|--|------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Non-current assets</b>  |      |                            |                            |                            |                            |                            |                            |
| Investments  | 30   | <b>3,339.1</b>             |                            | 1,215.9                    |                            | 915.3                      |                            |
| Other receivables  | 32   | -                          |                            | 0.2                        |                            | -                          |                            |
|  |      |                            | <b>3,339.1</b>             |                            | 1,216.1                    |                            | 915.3                      |
| <b>Current assets</b>  |      |                            |                            |                            |                            |                            |                            |
| Financial assets at amortised cost                                 | 31   | <b>738.8</b>               |                            | 490.9                      |                            | 423.7                      |                            |
| Cash at bank   |      | <b>0.1</b>                 |                            | 23.7                       |                            | -                          |                            |
|  |      |                            | <b>738.9</b>               |                            | 514.6                      |                            | 423.7                      |
| <b>Total assets</b>  |      |                            | <b>4,078.0</b>             |                            | 1,730.7                    |                            | 1,339.0                    |
| <b>Creditors: amount falling due within one year</b>               |      |                            |                            |                            |                            |                            |                            |
| Interest-bearing loans, borrowings and other financial liabilities | 33   | -                          |                            | (15.4)                     |                            | (16.2)                     |                            |
| Other payables   | 34   | <b>(391.4)</b>             |                            | (163.5)                    |                            | (145.8)                    |                            |
| Bank overdraft   |      | <b>(40.6)</b>              |                            | -                          |                            | (61.4)                     |                            |
|  |      |                            | <b>(432.0)</b>             |                            | (178.9)                    |                            | (223.4)                    |
| <b>Net current assets</b>  |      |                            | <b>306.9</b>               |                            | 335.7                      |                            | 200.3                      |
| <b>Total assets less current liabilities</b>                       |      |                            | <b>3,646.0</b>             |                            | 1,551.8                    |                            | 1,115.6                    |
| <b>Creditors: amount falling due within one year</b>               |      |                            |                            |                            |                            |                            |                            |
| Interest-bearing loans   | 33   | -                          |                            | (425.9)                    |                            | (379.9)                    |                            |
| <b>Net assets</b>  |      |                            | <b>3,646.0</b>             |                            | 1,125.9                    |                            | 735.7                      |
| <b>Capital and reserves</b>  |      |                            |                            |                            |                            |                            |                            |
| Called up share capital  | 23   | <b>20.1</b>                |                            | 5.0                        |                            | 4.9                        |                            |
| Share premium account  |      | <b>513.8</b>               |                            | 548.1                      |                            | 561.4                      |                            |
| Merger reserve   |      | -                          |                            | 407.4                      |                            | 346.5                      |                            |
| Translation reserve  |      | <b>(462.1)</b>             |                            | (212.9)                    |                            | (296.4)                    |                            |
| Profit and loss account  |      | <b>3,574.1</b>             |                            | 380.3                      |                            | 121.3                      |                            |
| Hedging reserve  |      | -                          |                            | (2.0)                      |                            | (2.0)                      |                            |
| <b>Shareholders' funds - equity</b>                                |      |                            | <b>3,645.9</b>             |                            | 1,125.9                    |                            | 735.7                      |

These financial statements were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:

**Nisan Cohen**  
**Director**



## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

|   | Issued capital<br>\$m | Share premium<br>\$m | Merger reserve<br>\$m | Hedging reserve<br>\$m | Translation reserve<br>\$m | Retained earnings<br>\$m | Total<br>\$m   |
|---|-----------------------|----------------------|-----------------------|------------------------|----------------------------|--------------------------|----------------|
| <b>Balance at 31 December 2016</b>                                    | 4.9                   | 561.4                | 346.5                 | (2.0)                  | (296.4)                    | 121.3                    | 735.7          |
| <b>Profit for the year</b>  | -                     | -                    | -                     | -                      | -                          | 328.7                    | 328.7          |
| <b>Other comprehensive income</b>                                     |                       |                      |                       |                        |                            |                          |                |
| <i>Items that will subsequently be reclassified to profit or loss</i> |                       |                      |                       |                        |                            |                          |                |
| Movement in fair value of cash flow hedge                             | -                     | -                    | -                     | 1.7                    | -                          | -                        | 1.7            |
| Movement in net investment hedge                                      | -                     | -                    | -                     | (1.7)                  | -                          | -                        | (1.7)          |
| Movement on translation reserve                                       | -                     | -                    | -                     | -                      | 83.5                       | -                        | 83.5           |
| Tax recognised on income and expenses recognised directly in equity   | -                     | -                    | -                     | -                      | -                          | -                        | -              |
| <b>Contributions by and distributions to owners</b>                   |                       |                      |                       |                        |                            |                          |                |
| Dividends   | -                     | -                    | -                     | -                      | -                          | (69.7)                   | (69.7)         |
| Transfers   | -                     | -                    | -                     | -                      | -                          | -                        | -              |
| Movements due to share-based compensation                             | -                     | -                    | -                     | -                      | -                          | -                        | -              |
| Issue of shares   | 0.1                   | (13.3)               | 60.9                  | -                      | -                          | -                        | 47.7           |
| <b>Balance at 31 December 2017</b>                                    | <b>5.0</b>            | <b>548.1</b>         | <b>407.4</b>          | <b>(2.0)</b>           | <b>(212.9)</b>             | <b>380.3</b>             | <b>1,125.9</b> |
| <b>Profit for the year</b>  | -                     | -                    | -                     | -                      | -                          | 551.7                    | 551.7          |
| <b>Other comprehensive income</b>                                     |                       |                      |                       |                        |                            |                          |                |
| <i>Items that will subsequently be reclassified to profit or loss</i> |                       |                      |                       |                        |                            |                          |                |
| Recycling of hedging reserve  | -                     | -                    | -                     | 2.0                    | -                          | (2.0)                    | -              |
| Movement on translation reserve                                       | -                     | -                    | -                     | -                      | (249.1)                    | -                        | (249.1)        |
| Tax recognised on income and expenses recognised directly in equity   | -                     | -                    | -                     | -                      | -                          | -                        | -              |
| <b>Contributions by and distributions to owners</b>                   |                       |                      |                       |                        |                            |                          |                |
| Dividends   | -                     | -                    | -                     | -                      | -                          | (122.8)                  | (122.8)        |
| Movements due to share-based compensation                             | -                     | -                    | -                     | -                      | -                          | (1.9)                    | (1.9)          |
| Capital transfer  | -                     | (2,361.3)            | (407.4)               | -                      | -                          | 2,768.7                  | -              |
| Issue of shares   | 15.1                  | 2,327.0              | -                     | -                      | -                          | -                        | 2,342.1        |
| <b>Balance at 31 December 2018</b>                                    | <b>20.1</b>           | <b>513.8</b>         | <b>-</b>              | <b>-</b>               | <b>(462.0)</b>             | <b>3,574.0</b>           | <b>3,645.9</b> |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 28. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive Officer's Review on pages 4 to 9 and the Risks and Uncertainties section on pages 23 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 31 to 35. In addition, Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional Balance Sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- disclosures in respect of the compensation of Key Management Personnel.

#### Presentational Currency

In line with changes in the presentational currency of Cineworld Group Plc, the Company has elected to change its presentational currency to US dollars from 1 January 2018 to provide greater transparency and comparison with the Group. A change in presentational currency is a change in accounting policy which is accounted for retrospectively. Financial information included in the consolidated financial statements for the year ended 31 December 2017 previously reported in sterling have been restated into US dollars using the procedures outlined below:

- Assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rates of exchange on the relevant balance sheet date;
- Non-US dollar income and expenditure were translated at the average rates of exchange prevailing for the relevant period; and
- Share capital, share premium and the other reserves were translated at the historic rates prevailing on the date of each transaction. The cumulative foreign currency translation reserve has been restated on the basis that the Group has reported in US dollars since 2004, the inception date of the Company

The functional currency of the Company remains in sterling.

#### Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

#### Impairment

The Group evaluates its investments for financial impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, an impairment in value is recorded.

#### Deferred Taxation

Deferred tax is recognised using the Balance Sheet method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is recognised, without discounting, in respect of all temporary differences except as otherwise required by IAS 12.

#### Share-Based Payment Transactions

The share options programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an addition to fixed asset investments with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an evaluation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share appreciation rights are also granted by the Company to employees. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on an option valuation model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each Balance Sheet date and at settlement date and any changes in fair value recognised in profit and loss spread equally over the vesting period.

**28. Accounting Policies** continued**Share-Based Payment Transactions continued**

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to or reimbursed by the subsidiary are recognised as a reduction in the cost of investment in the subsidiary.

**Own Shares Held by Employee Benefit Trust ("EBT")**

Transactions of the Group sponsored EBT are included in the Group financial information. In particular, the trust's purchase of shares in the Company are debited directly to equity.

**29. Staff Numbers and Costs**

The company pays no employees, salaries of the Directors of the Company, including Non-Executive Directors, as well as the Company Secretary are recharged to the Company from its subsidiary Cineworld Cinemas Ltd. Total salaries paid to Non-executive directors were \$0.8m

**30. Fixed Asset Investments**

| Company                                 | Shares in<br>Group<br>undertakings<br>\$m |
|---|---|
| <b>Balance at 31 December 2017</b>      | 1,215.9                                   |
| Additions                               | 2,361.8                                   |
| Disposal                                | (1,246.3)                                 |
| Share for share exchange                | 1,246.3                                   |
| Impairments                             | -   |
| Effects of movement in foreign exchange | (238.6)                                   |
| <b>Balance at 31 December 2018</b>      | <b>3,339.1</b>                            |
| <b>Net book value</b>                   |   |
| At 31 December 2017                     | 1,215.9                                   |
| <b>At 31 December 2018</b>              | <b>3,339.1</b>                            |

On 28 February 2018 the Company subscribed to 100% of the share capital of Crown UK HoldCo Limited for consideration of \$2.4bn. On the same date it disposed of its investments held at 31 December 2017 to Crown UK HoldCo Limited in a share for share exchange increasing its investment in Crown UK HoldCo by \$1.2bn to \$3.3bn.

**Cineworld Group Plc Fixed asset investments**

|                                       | Registered office   | Principal activity | Class    | % of shares held |
|---------------------------------------|---|--------------------|----------|------------------|
| <b>Subsidiary undertakings</b>        |   |                    |          |                  |
| <i>Directly held</i>                  |   |                    |          |                  |
| Crown UK Holdco Limited               | 8th Floor, Vantage London,<br>Great West Road, Brentford, TW8 9AG     | Holding Company    | Ordinary | 100              |
| <i>Indirectly Held</i>                |   |                    |          |                  |
| Cinema City Holding B.V.              | PO Box 1370 NL-3000 BJ Rotterdam<br>The Netherlands                   | Holding Company    | Ordinary | 100              |
| Augustus 1 Limited                    | 8th Floor, Vantage London,<br>Great West Road, Brentford, TW8 9AG     | Holding Company    | Ordinary | 100              |
| Cinema Finco 1 Limited                | 8th Floor, Block E, Iveagh Court,<br>Harcourt Road, Dublin 2, Ireland | Financing Company  | Ordinary | 100              |
| Cinema Finco 2 Limited                | 8th Floor, Block E, Iveagh Court,<br>Harcourt Road, Dublin 2, Ireland | Holding Company    | Ordinary | 100              |
| Cinema Finco 3 Limited                | 8th Floor, Block E, Iveagh Court, Harcourt<br>Road, Dublin 2, Ireland | Financing Company  | Ordinary | 100              |
| Cinema Finco 4 Limited                | 8th Floor, Block E, Iveagh Court,<br>Harcourt Road, Dublin 2, Ireland | Financing Company  | Ordinary | 100              |
| Cinema Finco 5 Limited                | 8th Floor, Block E, Iveagh Court,<br>Harcourt Road, Dublin 2, Ireland | Financing Company  | Ordinary | 100              |
| Cinema Finco 6 Limited                | 8th Floor, Block E, Iveagh Court,<br>Harcourt Road, Dublin 2, Ireland | Financing Company  | Ordinary | 100              |
| Cinema City Holdco<br>(Hungary) K.F.T | 1132 Budapest, Váci út 22-44  | Financing Company  | Ordinary | 100              |
| Crown Intermediate Holdco. Inc        | 101 E. Blount Avenue, Knoxville,<br>TN 37920, United States           | Holding Company    | Ordinary | 100              |
| Cineworld Hunco. Kft                  | 1132 Budapest, Váci út 22-44  | Holding Company    | Ordinary | 100              |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 30. Fixed Asset Investments continued

|  | Registered office   | Principal activity                    | Class                   | % of shares held |
|--|---|---------------------------------------|-------------------------|------------------|
| Crown Finance US. Inc                                | 101 E. Blount Avenue, Knoxville, TN 37920, United States                                | Holding Company                       | Ordinary                | 100              |
| Augustus 2 Limited                                   | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Holding Company                       | Ordinary                | 100              |
| Cineworld Holdings Limited                           | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Holding Company                       | Ordinary                | 100              |
| Cine-UK Limited                                      | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Cinema operations                     | Ordinary                | 100              |
| Cineworld Cinemas Holdings Limited                   | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Holding Company                       | Ordinary                | 100              |
| Picturehouse Cinemas Limited                         | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Cinema operations                     | Ordinary                | 100              |
| Cineworld Cinemas Limited                            | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Holding company and Cinema operations | Ordinary                | 100              |
| Classic Cinemas Limited                              | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Retail services company               | Ordinary                | 100              |
| Gallery Holdings Limited                             | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Holding Company                       | Ordinary                | 100              |
| Cineworld Estates Limited                            | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Cinema property leasing               | Ordinary                | 100              |
| Adelphi Carlton Limited                              | 8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland                      | Cinema operations                     | Ordinary                | 100              |
| Basildon Cinema 2 Limited                            | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema property leasing               | Ordinary                | 100              |
| Basildon Cinema Number Two 2 Limited                 | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema operations                     | Ordinary and preference | 100              |
| Bromley Cinema 2 Limited                             | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema operations                     | Ordinary and preference | 100              |
| Empire Cinema 2 Limited                              | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema operations                     | Ordinary and preference | 100              |
| Hemel Hempstead Two Cinema 2 Limited                 | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema operations                     | Ordinary                | 100              |
| Poole Cinema 2 Limited                               | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema operations                     | Ordinary and preference | 100              |
| Newcastle Cinema 2 Limited                           | 2nd Floor, The Le Gallais Building, 54 Bath Street, St Helier, Channel Islands, JE2 1FW | Cinema operations                     | Ordinary                | 100              |
| Cineworld South East Cinemas Limited                 | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Holding Company                       | Ordinary                | 100              |
| Cineworld Elite Picture Theatre (Nottingham) Limited | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Dormant                               | Ordinary                | 100              |
| Gallery Cinemas Limited                              | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Dormant                               | Ordinary                | 100              |
| Cineworld Cinema Properties Limited                  | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Property company                      | Ordinary                | 100              |
| Newman Online Limited                                | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Software development and provider     | Ordinary                | 100              |
| Picturehouse Bookings Limited                        | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Ticket booking operations             | Ordinary                | 100              |
| Picturehouse Entertainment Limited                   | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG                          | Film distribution                     | Ordinary                | 100              |

## 30. Fixed Asset Investments continued

|  | Registered office   | Principal activity | Class    | % of shares held |
|--|---|--------------------|----------|------------------|
| City Screen (SOA) Limited                                | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| CS (Exeter) Limited                                      | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| City Screen (Stratford) Limited                          | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| City Screen (York) Limited                               | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| City Screen (Liverpool) Limited                          | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| CS (Brixton) Limited                                     | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| CS (Norwich) Limited                                     | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| City Screen (Brighton) Limited                           | 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG            | Cinema operations  | Ordinary | 100              |
| Cinema City Finance (2017) B.V                           | PO Box 1370 NL-3000 BJ Rotterdam The Netherlands                          | Financing Company  | Ordinary | 100              |
| Seracus Limited  | 75 Prodromou Avenue, 1st Floor, Office 101 Strovolos, Nicosia 2063 Cyprus | Holding company    | Ordinary | 100              |
| I.T. Planet Advertising Ltd                              | 91 Medinat Hayehudim, Herzelia, Israel                                    | Dormant            | Ordinary | 100              |
| Norma Film Limited                                       | 91 Medinat Hayehudim, Herzelia, Israel                                    | Cinema operations  | Ordinary | 100              |
| Cinema Theatres Limited                                  | 91 Medinat Hayehudim, Herzelia, Israel                                    | Cinema operations  | Ordinary | 100              |
| Cinema-Phone Limited                                     | 18 Haneviim, Haifa, Israel  | Cinema operations  | Ordinary | 100              |
| Forum Film Limited                                       | 91 Medinat Hayehudim, Herzelia, Israel                                    | Cinema operations  | Ordinary | 100              |
| IT Magyar Cinema Moziüzemeltető és Filmforgalmazó K.F.T. | 1132 Budapest, Váci út 22-24  | Cinema operations  | Ordinary | 100              |
| Palace Cinemas Hungary K.F.T.                            | 1132 Budapest, Váci út 22-24  | Cinema operations  | Ordinary | 100              |
| Forum Hungary K.F.T.                                     | 1132 Budapest, Váci út 22-24  | Cinema operations  | Ordinary | 100              |
| New Age Cinema K.F.T.                                    | 1132 Budapest, Váci út 22-24  | Advertising        | Ordinary | 100              |
| Cinema City Romania SRL                                  | 13 Ana Davila street, Sector 5, Bucharest 050491, Romania                 | Cinema operations  | Ordinary | 90               |
| Forum Film Romania SRL                                   | 13 Ana Davila street, Sector 5, Bucharest 050491, Romania                 | Film distribution  | Ordinary | 99.75            |
| New Age Media Romania SRL                                | 13 Ana Davila street, sector 5, Bucharest 050491, Romania                 | Cinema operations  | Ordinary | 99.75            |
| Cinema City Bulgaria EOOD                                | 45 Bregalnitza Str, 5 floor Vazrajdana Region Sofia 1303, Bulgaria        | Cinema operations  | Ordinary | 100              |
| Forum Film Bulgaria EOOD                                 | 45 Bregalnitza Str, 4 floor Vazrajdana Region Sofia 1303, Bulgaria        | Film distribution  | Ordinary | 100              |
| Cinema City Czech s.r.o.                                 | Arkalycká 951/3, 149 00 Praha 4, Czech Republic                           | Cinema operations  | Ordinary | 99               |
| Forum Film Czech s.r.o.                                  | Arkalycká 951/3, 149 00 Praha 4, Czech Republic                           | Film distribution  | Ordinary | 99               |
| Cinema City Cinemas sp.Zoo                               | UL. Fosa 37 02-768 Warszawa Poland  | Group services     | Ordinary | 100              |
| All Job Poland sp.Zoo                                    | Woloska 12 02-675 Warszawa, Poland  | Cinema operations  | Ordinary | 100              |
| I.T. Poland Development 2003 sp. Zoo                     | UL.Fosa 37 02-768 Warszawa Poland   | Cinema operations  | Ordinary | 100              |
| New Age Media sp. Zoo                                    | UL. Powsińska 31 02-903 Warszawa Poland                                   | Advertising        | Ordinary | 100              |
| Cinema City Poland sp. Zoo CC spolka komandytowa.        | UL. Fosa 37 02-768 Warszawa Poland  | Cinema operations  | Ordinary | 100              |
| Northfleet sp. Zoo                                       | UL. Fosa 37 02-768 Warszawa Poland  | General partner    | Ordinary | 100              |



## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 30. Fixed Asset Investments continued

|  | Registered office  | Principal activity | Class    | % of shares held |
|--|--|--------------------|----------|------------------|
| Cinema City Poland CC sp. Zoo                | UL. Fosa 37 02-768 Warszawa Poland                         | Cinema operations  | Ordinary | 100              |
| Forum Film Poland CC Sp. Zoo                 | Woloska 12 02-675 Warszawa, Poland                         | Film distribution  | Ordinary | 100              |
| Cinema City Slovakia s.r.o.                  | Einsteinova 20, 851 01 Bratislava, Slovakia                | Cinema operations  | Ordinary | 99.98            |
| Forum Film Slovakia s.r.o.                   | Einsteinova 20, 851 01 Bratislava, Slovakia                | Film distribution  | Ordinary | 85               |
| A 3 Theatres of San Antonio, Ltd             | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| A 3 Theatres of Texas, Inc.                  | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Digital Cinema Implementation Partners, LLC. | 100 Enterprise Drive, Suite 505 Rockaway, New Jersey 07866 | Projector Leasing  | Ordinary | 48.7             |
| Cinebarre, LLC                               | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Consolidated Theatres Management, L.L.C.     | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Dormant            | Ordinary | 100              |
| Crown Theatre Corporation                    | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Eastgate Theatre, Inc.                       | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Edwards Theatres, Inc.                       | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Frederick Plaza Cinemas, Inc.                | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape LLC                             | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape of Nitro, LLC                   | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape of O'Fallon, LLC                | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape Theatres, LLC                   | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape Theatres of Bowling Green, LLC  | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape Theatres of Harrisburg, LLC     | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape LaGrange LLC                    | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Dormant            | Ordinary | 100              |
| Great Escape Theatres of Lebanon, LLC        | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Great Escape Theatres of New Albany, LLC     | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Hollywood Theatres, Inc.                     | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Hollywood Theatres III, Inc.                 | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Hoyts Cinemas Corporation                    | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Interstate Theatres Corporation              | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Lois Business Development Corporation        | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| McIntosh Properties LLC                      | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |
| Next Generation Network, Inc.                | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Dormant            | Ordinary | 100              |
| Pacific Rim Business Development Corporation | 101 E. Blount Avenue, Knoxville, TN 37920, United States   | Cinema Operation   | Ordinary | 100              |

## 30. Fixed Asset Investments continued

|                                      | Registered office  | Principal activity | Class    | % of shares held |
|--------------------------------------|--|--------------------|----------|------------------|
| Palace Suite, Inc.                   | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Dormant            | Ordinary | 100              |
| R and S Theatres, Inc.               | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 51               |
| Ragains Enterprises LLC              | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| RAM/UA-KOP, LLC                      | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Dormant            | Ordinary | 50               |
| R.C.Cobb, Inc.                       | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| R.C.Cobb II, LLC                     | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| RCI/FSSC, LLC                        | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| RCI/RMS, LLC                         | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Regal/Cinebarre Holdings, LLC        | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Cinemas Corporation            | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Cinemas Holdings, Inc          | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Regal Cinemas, Inc.                  | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Regal Cinemas II, LLC                | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Regal CineMedia Corporation          | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Gift promotions    | Ordinary | 100              |
| Regal CineMedia Holdings, LLC        | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal/DCIP Holdings, LLC             | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Distribution, LLC              | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Film Distribution  | Ordinary | 100              |
| Regal Distribution Holdings, LLC     | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Entertainment Group            | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Entertainment Holdings, Inc.   | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Entertainment Holdings II, LLC | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Gallery Place, LLC             | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Regal Investment Company             | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company    | Ordinary | 100              |
| Regal Licensing, LLC                 | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Regal Paramus Park, LLC              | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 99               |
| Regal Stratford, Inc.                | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| Richmond I Cinema, L.L.C.            | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 100              |
| San Francisco Theatres, Inc.         | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation   | Ordinary | 80               |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 30. Fixed Asset Investments continued

|  | Registered office  | Principal activity      | Class    | % of shares held |
|--|--|-------------------------|----------|------------------|
| Siam UATC Company Limited                | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 10               |
| United Artists Theatre Company           | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company         | Ordinary | 100              |
| United Artists Theatre Circuit, Inc.     | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| United Artists Theatre Circuit II, Inc.  | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| United Artists Realty Company            | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema property leasing | Ordinary | 100              |
| United Artists Properties I Corp.        | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema property leasing | Ordinary | 100              |
| Vogue Realty Company                     | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema property leasing | Ordinary | 50               |
| United Stonestown Corporation            | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| UA Shore LLC                             | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| UA Swansea. LLC                          | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Valeene Cinemas LLC                      | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Wallace Theatre Holdings, Inc.           | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company         | Ordinary | 100              |
| Wallace Theatres – Guam.                 | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Wallace Theatres – Saipan, Inc.          | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| 13th Avenue Partners, LLC                | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Cinemas Associates, LLC                  | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Oklahoma Warren Theatres II, LLC         | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Oklahoma Warren Theatres, LLC            | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Regal/Atom Holdings, LLC                 | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Holding company         | Ordinary | 100              |
| The Movie Machine, LLC                   | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Warren Oklahoma Theatres, Inc.           | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Cinema Operation        | Ordinary | 100              |
| Restaurant Row Business Development Corp | 101 E. Blount Avenue, Knoxville, TN 37920, United States | Dormant                 | Ordinary | 100              |

During 2018 and 2017, no impairments were recognised in respect of investments in directly held subsidiaries.

**31. Financial Assets at Amortised Cost**

|  | <b>31 December<br/>2018<br/>\$m</b> | 31 December<br>2017<br>\$m |
|--|-------------------------------------|----------------------------|
| Amounts due from subsidiary undertakings | <b>738.8</b>                        | 490.9                      |

**32. Other Receivables**

|                     | <b>31 December<br/>2018<br/>\$m</b> | 31 December<br>2017<br>\$m |
|---------------------|-------------------------------------|----------------------------|
| Interest rate swaps | -                                   | 0.2                        |

**33. Interest-Bearing Loans, Borrowings and Other Financial Liabilities**

|  | <b>31 December<br/>2018<br/>\$m</b> | 31 December<br>2017<br>\$m |
|--|-------------------------------------|----------------------------|
| <b>Non-current liabilities</b>                                 |                                     |                            |
| Unsecured bank loan, less issue costs of debt to be amortised  | -                                   | 425.9                      |
|  | -                                   | 425.9                      |
| <b>Current liabilities</b>                                     |                                     |                            |
| Unsecured bank loans, less issue costs of debt to be amortised | -                                   | 15.4                       |
|  | -                                   | 15.4                       |

During the period the Group and Company restructured its debt facilities. See Note 19 to the Consolidated financial statements for further details of interest-bearing loans, borrowings and other financial liabilities.

**34. Creditors: Amounts Falling Due Within One Year**

|  | <b>31 December<br/>2018<br/>\$m</b> | 31 December<br>2017<br>\$m |
|--|-------------------------------------|----------------------------|
| Amounts due to subsidiary undertakings | <b>388.4</b>                        | 162.3                      |
| Accruals                               | <b>3.0</b>                          | 1.2                        |
|  | <b>391.4</b>                        | 163.5                      |

**Fair Values**

Fair value disclosures for debtors and creditors have not been prepared on the basis that their carrying amount is a reasonable approximation to fair value.

**35. Share-Based Payments**

See Note 21 to the Consolidated financial statements.

## SHAREHOLDER INFORMATION

### AS AT 31 DECEMBER 2018

#### Directors

|                 |  |
|-----------------|--|
| A H Bloom       | (Non-Executive Director and Chairman)                    |
| M Greidinger    | (Chief Executive Officer)                                |
| I Greidinger    | (Deputy Chief Executive Officer)                         |
| N Cohen         | (Chief Financial Officer)                                |
| R Teperberg     | (Chief Commercial Officer)                               |
| R Senat         | (Non-Executive Director and Senior Independent Director) |
| C Galano        | (Non-Executive Director)                                 |
| A Kornasiewicz* | (Non-Executive Director)                                 |
| D Moore         | (Non-Executive Director)                                 |
| S Rosenblum     | (Non-Executive Director)                                 |
| A Samuelsson    | (Non-Executive Director)                                 |
| J Southern      | (Non-Executive Director)                                 |

\* Alicja Kornasiewicz became Deputy Chair on 16 January 2019

#### Head Office

8th Floor  
Vantage London  
Great West Road  
Brentford TW8 9AG

#### Telephone Number

020 8987 5000

#### Website

[www.cineworldplc.com](http://www.cineworldplc.com)

#### Place of Incorporation

England and Wales

#### Company Number

Registered Number: 5212407

#### Registered Office

8th Floor  
Vantage London  
Great West Road  
Brentford TW8 9AG

#### Final Dividend – 2018

|              |               |
|--------------|---------------|
| Announcement | 14 March 2019 |
| Ex Dividend  | 13 June 2019  |
| Record Date  | 14 June 2019  |
| Payment Date | 5 July 2019   |

#### Auditor

KPMG LLP  
15 Canada Square  
London E14 5GL

#### Joint Brokers

Barclays Bank Plc  
1 Churchill Place  
London E14 5HP

Investec Bank plc  
2 Gresham Street  
London EC2V 7QP

#### Legal Advisors to the Company

Slaughter and May  
1 Bunhill Row  
London EC1Y 8YY



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