Cineworld Group plc
Interim Report 2012

UK No.1

Cineworld is the UK's leading cinema group

Contents

Highlights

- Revenue growth of 1.1% driven by increased Box Office receipts, up 4.1% at £118.6m (2011: £113.9m);
- Continued EBITDA[1] growth of 2.3%;
- Maintained leading position as the largest cinema operator in both the UK and the UK & Ireland combined[2];
- Interim dividend increased by 5.6%;
- Net debt reduced by £1.5m to £99.2m;
- Strong growth in Unlimited subscriber base – currently in excess of 300,000 members;
- 48% increase in MyCineworld registrations to just under 1.5m in the three months since abolition of online booking fees in March;
- Estate fully converted to digital projection since 28 June 2012;
- Investment in Customer Relationship Management system completed, and
- Film releases at the start to the second half of 2012 have performed in line with expectations and we remain confident of delivering growth in line with full year market expectations.

1 EBITDA is defined as operating profit before depreciation and amortisation, impairment charges, adjustments to goodwill, onerous lease and other non-recurring charges, transaction and reorganisation costs and profit on disposal of cinema sites.
2 Source: Rentrak/EDI.

Chief Executive Officer's Review

The Group achieved a solid level of trading in the first half with total revenues up 1.1% on the prior year with net box office up 4.1%. Our gross box office grew by 3.5%, compared with the UK/Ireland market increase of 4.3% (source: Rentrak/EDI) over the same period. Admissions were marginally lower by 0.8% compared with the equivalent period last year. We remained the largest operator in the UK & Ireland with a market share of 24.7% (2011: 24.9%).

The box office revenues were spread across a number of films in the period with the top ten highest grossing films accounting for approximately 40% of Cineworld's total box office. This was similar to the pattern last year. Film performance in the first half was underpinned by the phenomenal success of "Avengers Assemble" (grossing nationally in excess of £51m). This was supported by a number of other good film performances from "Men in Black 3", "The Hunger Games" and "Prometheus", as well as a number of mid-range films which produced better than expected performances. Notable films screened included "The Woman in Black", "Best Exotic Marigold Hotel", "Warhorse" and "American Pie: Reunion". We remained the leading exhibitor of Bollywood films with a box office market share of almost 55% in the UK, offering such films as "Housefull 2" and "Agneepath" and we continued to be the leading exhibitor of Tamil films. In line with Cineworld's strategy, we continue to offer our customers the broadest and most diverse range of films available.

The performance of 3D has been stabilising over the last 12 months. There were 15 3D film releases during the period, compared with 17 last year, representing approximately 15% of Cineworld's admissions for the first half, a little lower than the 17% in 2011. Film studios are becoming increasingly adept in discerning the genre and target audience of 3D films. The quality of 3D film product remains absolutely critical. There are expected to be around 18 3D film releases in the second half compared with 20 3D films in the same period last year.

The Group's average ticket price grew by 4.9% to £5.15 (2011: £4.91). The proportion of customers attending at non-peak times during the week in order to take advantage of our "Bargain Tuesdays" and "Orange Wednesdays" promotion days remained consistent with the previous year.

Retail revenue was 2.1% lower than the previous year. Retail spend per person fell from £1.67 in the previous year to £1.65 during the period, partly due to the film mix, but also reflecting the difficult economic climate and its impact on consumer spending. Our customers continue to seek value for money and accordingly we are committed to working hard to provide new and attractive retail propositions.

During the first half of the year, the Group introduced a number of customer-related initiatives in line with our stated strategy. On 16 March 2012, Cineworld was the first major cinema operator in the UK to abolish online booking fees. Research showed the fee to be a barrier to booking in advance and it was unpopular with our customers. This innovation was accompanied by the launch of a 10% reduction in the price of tickets for booking online through MyCineworld. As a result we have seen online bookings increase to 13.0% by June 2012 (June 2011: approximately 8.0%). Registrations to MyCineworld have since grown 48.0% to almost 1.5m since March. This increase has ensured that our consumer website, which consistently receives over 1.0m visits per week, has remained in the top 40 most visited websites in the UK (as reported in The IMRG Experian Hitwise Hit Shops List). The growth of the MyCineworld online portal is an important element of our customer strategy. With our recent investment in improved customer relationship management ("CRM") capabilities, we are working on ways of engaging further with our customers with the objective of enhancing customer retention and increasing the frequency of their visits. This, in turn, will help us to encourage higher frequency customers to take up paid subscriptions under the Unlimited membership.

Our Unlimited card continued to build its membership with a subscriber base of almost 300,000 members at the end of the first half (December 2011: 280,000), a figure which has since been exceeded. This service is unique in the market and continues to offer excellent value to regular film goers, who can visit Cineworld's cinemas as many times as they wish, while encouraging visits at off-peak times, thereby improving seat utilisation in our cinemas and reducing revenue volatility. Unlimited is a pillar of our strategy of growing revenues and incremental admissions and we remain committed to its expansion.

We have continued to make significant investment in updating systems covering point of sale, finance and CRM. The new and better systems form the backbone of the infrastructure that will support our business growth and information management capabilities. We are now better placed to engage and transact with our customers across multiple technology platforms including mobile technology, scanning, e-ticketing and ATMs. Film marketing campaigns are being developed utilising data from our CRM systems. We also initiated limited trials using the MyCineworld database and have started personalising all email communications with our Unlimited members.

All of Cineworld's estate has been converted to digital projection, a milestone we have reached since the end of the first half of the year. Complete digital conversion will enable us to realise operational savings in staff costs fully whilst improving the flexibility of film programming. Over 200 film titles were played in the period compared with around 180 titles in the same period last year. The change will also enable our alternative content programme to be played more widely across all our cinemas. One-off live shows such as the very successful Westlife concert continue to be underpinned by our regular programmes from the New York Metropolitan Opera and the National Theatre. We remain committed to developing and expanding the range of live screenings in order to bring a greater array of entertainment to our customers. Alternative content currently remains a small but developing opportunity. However demand for the right product remains strong and overall ticket prices are more than 50% higher than for regular film screenings. Digital projection enables us to exploit such niche opportunities more economically to produce incremental returns to our core film business.

A reduced performance at Digital Cinema Media ("DCM"), our joint venture screen advertising business, reflects the ongoing challenges in the wider advertising industry. As a result advertising revenues for the Group were 11.7% lower against the previous year. In addition to

Chief Executive Officer's Review
continued

the inevitable pull of advertising towards the European football championships and the London Olympics, companies continue to defer their advertising spends and divert expenditure more towards ad hoc sales promotions and the internet, both of which are considered short-term means to grow sales in a consumer environment where demand remains fragile. However, given the digitalisation of our projection estate and the commitment from Odeon, Vue and other exhibitors to become fully digital in 2012, there is a new opportunity via a much wider digital platform that will allow cinema screen advertising to compete more effectively with other media. From Q4 of this year, DCM will be in a position to offer a greater number and a more diverse range of campaigns, which are more flexible and so are better tailored to advertisers' requirements. In addition to nationwide campaigns, local and regional sales pipelines are being developed with a target audience that has been largely untapped to date.

In terms of improving the customer experience, Cineworld is expanding the IMAX format across a selection of its cinemas following its successful introduction. At the end of the first half of the year we had three IMAX screens within our portfolio, at Crawley, Edinburgh and Sheffield. There are plans to install five more IMAX screens, of which at least three will be completed during the second half of the year and the balance in 2013. In addition we ran a pilot scheme with the D-Box seating concept which has been very successful at six sites. The D-Box seats provide additional sensory experiences for customers and a premium is charged over the applicable ticket price. These features can be deactivated to enable the seat to be utilised for standard film viewings. Cineworld has first call option rights to install D-Box in certain cinemas which, if exercised, will give exclusivity in those areas and we are working on plans to install D-Box seats in more locations in the first half of 2013.

Work has begun on the fitting out of our new seven screen cinema in Aldershot and we remain on track to open in Q4 of this year. Work has already started on the Wembley development which will include our nine screen cinema and we have plans for a six screen cinema in St Neots and a replacement cinema in Gloucester. All are scheduled to open in 2013. In addition we are targeting two further multiplex cinemas to open in 2013. Our development pipeline for the coming years remains strong and we are on target to open 25 cinemas by the end of 2017. Our financial position and a successful track record of operating profitable cinemas and generating high customer footfalls into the local areas make Cineworld an attractive development partner.

Financial Performance

	26 week period ended 28 June 2012	26 week period ended 30 June 2011	52 week period ended 29 December 2011
Admissions	**23.0m**	23.2m	48.3m
	£m	£m	£m
Box office	**118.6**	113.9	242.1
Retail	**38.0**	38.8	81.6
Other	**8.8**	10.9	24.3
Total revenue	**165.4**	163.6	348.0
EBITDA[1]	**26.3**	25.7	63.3
Operating profit	**15.8**	13.0	42.6

Revenue

Total revenue for the first half was 1.1% higher at £165.4m (2011: £163.6m) due to a stronger than expected trading period during April and May. The growth is encouraging given the unforeseen success of "The King's Speech" and the lack of sporting disruptions in the same period last year. A small reduction in admissions was offset by higher ticket prices which grew by 4.9% against the same period in the prior year. Average ticket prices of £5.15 were higher than the prior year (2011: £4.91) resulting in an increase in box office of 4.1% to £118.6m against the prior year of £113.9m.

In March 2012 fees for telephone and online bookings were removed and, at the same time, a 10% discount was offered to all MyCineworld members booking online. Both initiatives were designed to encourage online bookings by making them better value and thereby promoting the benefits of MyCineworld membership. As a result, compared to the previous year, box office grew while other income fell.

1 EBITDA is defined as operating profit before depreciation and amortisation, impairment charges, adjustments to goodwill, onerous lease and other non-recurring charges, transaction and reorganisation costs and profit on disposal of cinema sites.

Our retail sales performance reflects the ongoing economic challenges and their impact on UK consumers. As a result, retail spend per customer was lower than the same period last year at £1.65 (2011: £1.67). Combined with lower admissions, total retail sales fell by 2.1% to £38.0m compared with the prior year (2011: £38.8m).

Other revenue, which includes screen advertising, screen hires, sponsorships, games machine income, sales of 3D glasses and ticket booking fees prior to their removal in March, was down 19.3% to £8.8m compared to the first half last year (2011: £10.9m). Screen advertising revenues were 11.7% lower than the previous year, reflecting the general sentiment across the wider advertising industry, as well as the diversion of advertising budgets to the European football championships. Other revenue, excluding screen advertising, was impacted by lower sales of 3D glasses (due to fewer 3D films and more recycling) and the removal of the booking fee.

Chief Executive Officer's Review
continued

EBITDA[1] and Operating Profit

EBITDA[1] was 2.3% higher at £26.3m against 2011 (£25.7m). The overall film hire margin was slightly higher than last year because a smaller number of successful films generated a larger proportion of box office. Virtual print fee income was higher than last year, reflecting the conversion of screens to digital projection (completed since the end of the half year) and savings in staff costs from digital conversion continue to be realised. Operating profit of £15.8m was 21.5% higher than last year (2011: £13.0m) which was affected by non-recurring costs of £3.3m (included in prior year cost of sales). The current year operating profit figure included £0.8m of write offs of fixed asset investments at underperforming sites. This charge was included within depreciation. Excluding this, the depreciation charge in the period was a little higher than last year.

Refinancing and Financing Costs

On 31 March 2011, the Group refinanced its existing debt. The new five year facility consisted of a £70m term loan with repayments of £2.5m every six months commencing June 2011 and a revolving credit facility of £100m. It provides flexibility for the Group in its expansion activities as well as other growth opportunities. Interest is charged on the facility at 1.95% above LIBOR. There are two covenants: net debt to EBITDA of three times and pre-rent EBITDA to interest plus rent of 1.5 times.

The expiry of one of the three interest rate swaps in May necessitated a write off of the balance of related mark to market movements in line with IFRS hedge accounting and the write off was recorded in the income statement as a credit of £1.0m.

The expiry of the swap also resulted in a lower overall interest rate going forward and, together with proactive cash management during the period, produced a reduced interest expense of £3.3m compared with the prior year (2011: £3.7m). The balance of the interest expense related to the amortisation of financing costs and the unwinding of discount on onerous leases (the latter being a non-cash item).

Taxation

The overall tax charge of £3.6m consisted of a current tax charge of £3.3m and a deferred tax charge of £0.3m in respect of capital allowances. The total tax charge is based on a forecast effective tax rate for the 2012 full year of 26.9%. The difference compared to the standard tax rate of 24.5% reflects the proportion of disallowable expenditure.

Earnings

Profit before tax of £13.4m was higher (2011: £6.9m). The 2011 result was impacted by the one-off items of £3.3m and the write off of £2.2m relating to the hedge on the previous bank loan described above. On an adjusted pro forma diluted basis, earnings per share were 6.0% higher at 7.1p (2011: 6.7p) and the basic diluted earnings per share were much better at 6.9p (2011: 3.6p). There were 418,344 shares issued in the period to employees, in respect of the Performance Share Plan and the Sharesave Scheme and the number of shares in issue at the end of the period was 142,767,037.

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Cash Flow and Balance Sheet

The Group continued to be cash generative at the operating level during the first half. Cash generated from operations of £24.6m increased against the equivalent period last year (2011: £20.6m). Trade and other payables at the end of June 2012 included £10.6m in respect of the 2011 final dividend that was paid in July 2012. Details of the interim dividend can be found in Note 6 of the interim financial statements.

Net cash expenditure on capital for the first six months was £15.2m. Included in this figure was £6.0m in relation to the purchase of digital projectors, £4.0m on systems implementation, £1.9m on IMAX and D-Box and the balance on replacements and refurbishments. Approximately £1.5m of digital costs will be paid in the second half and the balance of £3.0m payable in 2013 which would bring the total cost of the conversion programme in line with original estimates of approximately £40.0m.

Net debt continued to fall, from £100.7m in June 2011 to £99.2m. Bank debt at the period end represented less than two times the 2011 EBITDA[1] figure. In accordance with the terms of the bank facility, £2.5m of the term loan was repaid at the end of June leaving a balance of £62.5m outstanding together with £32.0m drawn down on the revolving credit facility.

Risks and Uncertainties

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established, structured approach to risk management, which includes continuously assessing and monitoring the key risks and uncertainties of the business. The key business specific risks are set out on pages 19 and 20 in summary form. The only additional significant risk identified since 29 December 2011 is the possible impact of extreme weather conditions.

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A more detailed description of the risks existing as at 29 December 2011 and also some factors and actions taken by the Group which mitigate them were set out on pages 24 and 25 of the Group's Annual Report for 2011, a copy of which is available from our website www.cineworldplc.com.

Despite the current uncertainty in the economic environment, the risks and uncertainties summarised on pages 19 and 20 are not expected to change materially in the remainder of the year.

Related Party Transactions

Details of related party transactions described in the Annual Report for the 26 weeks to 30 June 2011 are set out in note 10 of the interim financial statements.

Going Concern

The Group meets its day to day working capital requirements through its bank facilities which currently consists of a £62.5m term loan and a £100.0m revolver. The facility is for five years, expiring in April 2016. The current economic conditions continue to create

Chief Executive Officer's Review
continued

uncertainty particularly over the level of demand for the Group's products but 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 current facilities.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated interim financial statements.

Dividends

The Board is declaring an interim dividend of 3.8p per share (2011: 3.6p), reflecting the solid performance in the first half of the year. The dividend will be paid on 5 October 2012 to ordinary shareholders on the register at the close of business on 7 September 2012.

Current Trading and Outlook

The films at the start of the second half including the Olympics period have performed in line with expectations, the key titles being "The Amazing Spiderman", "Ice Age 4", "The Dark Knight Rises" and "Ted".

Later in the second half, a number of films from proven franchises are scheduled for release including "Madagascar 3", the next Bond film "Skyfall", the final instalment of the Twilight series "Twilight Saga: Breaking Dawn (Part 2)" and "The Hobbit" (in 3D). The timing of these releases means that trade is expected to be strongest in the last two months of the year. Overall, the strength of the film line up in the second half, coupled with our solid first half performance, gives us confidence in delivering growth in line with market expectations for the year.

Stephen Wiener
Chief Executive

Cautionary note concerning forward looking statements

Certain statements in the Chief Executive Officer's review are forward looking and so involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. Various factors could cause actual results, developments or performance of the Group to differ materially from those expressed or implied by these forward looking statements. The forward looking statements reflect knowledge and information available at the date of preparation of this report and the Group accepts no obligation to update these forward looking statements. Nothing in this report should be construed as a profit forecast.

Condensed Consolidated Statement of Comprehensive Income
for the period ended 28 June 2012

	Note	26 week period ended 28 June 2012 (unaudited) £m	26 week period ended 30 June 2011 (unaudited) £m	52 week period ended 29 December 2011 (audited) £m
Revenue		**165.4**	163.6	348.0
Cost of sales		**(125.3)**	(127.8)	(261.5)
Gross profit		**40.1**	35.8	86.5
Other operating income		**0.1**	0.2	0.4
Administrative expenses		**(24.4)**	(23.0)	(44.3)
Operating profit		**15.8**	13.0	42.6
Analysed between:				
Operating profit before depreciation and amortisation, impairment charges, onerous lease and other non-recurring charges and transaction and reorganisation costs		**26.3**	25.7	63.3
– Depreciation and amortisation		**(10.5)**	(9.4)	(18.9)
– Onerous leases and other non-recurring charges		**–**	0.1	0.5
– Transaction and reorganisation costs		**–**	(3.3)	(3.9)
– Defined benefit pension scheme indexation gain				1.7
– Refinancing costs		**–**	(0.1)	(0.1)
Financial income	4	**0.1**	0.1	1.6
Financial expenses	4	**(3.3)**	(3.7)	(9.7)
Refinancing interest credit/(expense)		**1.0**	(2.2)	(1.1)
Net financing costs		**(2.2)**	(5.8)	(9.2)
Share of profit of jointly controlled entity using equity accounting method, net of tax		**(0.2)**	(0.3)	–
Profit before tax		**13.4**	6.9	33.4
Taxation	3	**(3.6)**	(1.8)	(9.5)
Profit for the period attributable to equity holders of the Company		**9.8**	5.1	23.9
Other comprehensive income				
Foreign exchange translation (loss)/gain		**(0.5)**	0.3	–
Actuarial (losses)/gains on defined benefit pension schemes		**(1.3)**	0.2	(1.4)
Movement in fair value of cash flow hedge		**(0.6)**	1.9	(0.6)
Income tax credit/(charge) on other comprehensive income		**0.2**	(0.1)	1.0
Other comprehensive income for the period, net of income tax		**(2.2)**	2.3	(1.0)
Total comprehensive income for the period attributable to equity holders of the Company		**7.6**	7.4	22.9
Basic earnings per share		**6.9p**	3.6p	16.8p
Diluted earnings per share		**6.8p**	3.6p	16.7p

Condensed Consolidated Statement of Financial Position
as at 28 June 2012

	28 June 2012 (unaudited)		30 June 2011 (unaudited)		29 December 2011 (audited)	
	£m	£m	£m	£m	£m	£m
Non-current assets						
Property, plant and equipment		**131.7**		119.5		124.3
Goodwill		**217.1**		217.1		217.1
Other intangible assets		**0.3**		0.4		0.3
Investment in equity-accounted investee		**0.6**		0.5		0.8
Other receivables		**1.3**		1.4		1.4
Employee benefits		**1.6**		1.0		2.0
Deferred tax assets		**11.9**		14.4		12.0
Total non-current assets		**364.5**		354.3		357.9
Current assets						
Inventories	**2.9**		2.3		2.1	
Trade and other receivables	**26.3**		23.0		26.6	
Cash and cash equivalents	**4.9**		7.2		5.5	
Total current assets		**34.1**		32.5		34.2
Total assets		**398.6**		386.8		392.1
Current liabilities						
Interest bearing loans, borrowings and other financial liabilities	**(6.3)**		(6.8)		(6.9)	
Trade and other payables	**(69.2)**		(58.7)		(52.9)	
Current taxes payable	**(3.3)**		(5.4)		(4.8)	
Provisions	**(0.8)**		(2.3)		(2.3)	
Total current liabilities		**(79.6)**		(73.2)		(66.9)
Non-current liabilities						
Interest bearing loans, borrowings and other financial liabilities	**(97.8)**		(101.1)		(100.0)	
Trade and other payables	**(52.2)**		(52.2)		(53.3)	
Provisions	**(9.1)**		(9.3)		(9.3)	
Deferred tax liabilities	**(2.2)**		(1.9)		(2.3)	
Total non-current liabilities		**(161.3)**		(164.5)		(164.9)
Total liabilities		**(240.9)**		(237.7)		(231.8)
Net assets		**157.7**		149.1		160.3
Equity attributable to equity holders of the Company						
Share capital		**1.4**		1.4		1.4
Share premium		**171.8**		171.4		171.8
Translation reserve		**1.3**		2.1		1.8
Hedging reserve		**(4.0)**		(0.9)		(3.4)
Retained deficit		**(12.8)**		(24.9)		(11.3)
Total equity		**157.7**		149.1		160.3

Condensed Consolidated Interim Statement of Changes in Equity
for the period ended 28 June 2012

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained deficit £m	Total £m
Balance at 30 December 2010	1.4	171.4	1.8	(2.8)	(19.8)	152.0
Profit for the period	–	–	–	–	5.1	5.1
Other comprehensive income						
Movement in fair value of cash flow hedge	–	–	–	1.9	–	1.9
Retranslation of foreign currency denominated subsidiaries	–	–	0.3	–	–	0.3
Actuarial gain on defined benefit scheme	–	–	–	–	0.2	0.2
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	(0.1)	(0.1)
Contributions by and distributions to owners						
Dividends	–	–	–	–	(10.1)	(10.1)
Movements due to share-based compensation	–	–	–	–	(0.2)	(0.2)
Balance at 30 June 2011	1.4	171.4	2.1	(0.9)	(24.9)	149.1
Balance at 30 December 2010	1.4	171.4	1.8	(2.8)	(19.8)	152.0
Profit for the period	–	–	–	–	23.9	23.9
Other comprehensive income						
Movement in fair value of cash flow hedge	–	–	–	(0.6)	–	(0.6)
Retranslation of foreign currency denominated subsidiaries	–	–	–	–	–	–
Actuarial loss on defined benefit scheme	–	–	–	–	(1.4)	(1.4)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	1.0	1.0
Contributions by and distributions to owners						
Dividends paid in period	–	–	–	–	(15.2)	(15.2)
Movements due to share-based compensation	–	–	–	–	0.2	0.2
Issue of shares	–	0.4	–	–	–	0.4
Balance at 29 December 2011	1.4	171.8	1.8	(3.4)	(11.3)	160.3
Profit for the period	–	–	–	–	9.8	9.8
Other comprehensive income						
Movement in fair value of cash flow hedge	–	–	–	(0.6)	–	(0.6)
Retranslation of foreign currency denominated subsidiaries	–	–	(0.5)	–	–	(0.5)
Actuarial loss on defined benefit scheme	–	–	–	–	(1.3)	(1.3)
Tax recognised on income and expenses recognised directly in equity	–	–	–	–	0.2	0.2
Contributions by and distributions to owners						
Dividends	–	–	–	–	(10.6)	(10.6)
Movements due to share-based compensation	–	–	–	–	0.4	0.4
Balance at 28 June 2012	**1.4**	**171.8**	**1.3**	**(4.0)**	**(12.8)**	**157.7**

Condensed Consolidated Statement of Cash Flows
for the period ended 28 June 2012

	26 week period ended 28 June 2012 (unaudited) £m	26 week period ended 30 June 2011 (unaudited) £m	52 week period ended 29 December 2011 (audited) £m
Cash flow from operating activities			
Profit for the period	**9.8**	5.1	23.9
Adjustments for:			
Financial income	**(0.1)**	(0.1)	(1.6)
Financial expense	**3.3**	3.7	9.7
Refinancing (credit)/cost	**(1.0)**	2.2	1.1
Taxation charge	**3.6**	1.8	9.5
Share of profit/(loss) of equity-accounted investee	**0.2**	0.3	–
Operating profit	**15.8**	13.0	42.6
Depreciation and amortisation	**10.5**	9.4	18.9
Non-cash property charges	**(0.3)**	(0.1)	(0.5)
Non-cash pension gain following change in indexation	**–**	–	(1.7)
Surplus of pension contributions over current service cost	**(0.8)**	(0.8)	(1.6)
Decrease/(increase) in trade and other receivables	**0.1**	0.5	(3.0)
(Increase)/decrease in inventories	**(0.8)**	(0.1)	0.2
Increase in trade and other payables	**2.3**	0.4	2.9
Decrease in provisions and employee benefits	**(2.2)**	(1.7)	(2.5)
Cash generated from operations	**24.6**	20.6	55.3
Tax paid	**(4.7)**	(3.9)	(8.3)
Net cash flows from operating activities	**19.9**	16.7	47.0
Cash flows from investing activities			
Interest received	**0.1**	–	0.1
Acquisition of property, plant and equipment	**(15.2)**	(13.7)	(25.0)
Net cash flows from investing activities	**(15.1)**	(13.7)	(24.9)
Cash flows from financing activities			
Proceeds from share issue	**–**		0.4
Dividends paid to shareholders	**–**	–	(15.2)
Interest paid	**(2.7)**	(2.0)	(5.0)
Repayment of bank loans	**(2.5)**	(2.5)	(5.0)
Payment of finance lease liabilities	**(0.2)**	(0.2)	(0.6)
Refinancing fees	**–**	(1.8)	(1.8)
Net cash from financing activities	**(5.4)**	(6.5)	(27.2)
Net decrease in cash and cash equivalents	**(0.6)**	(3.5)	(5.1)
Effect of exchange rate fluctuations on cash held	**–**	0.1	–
Cash and cash equivalents at start of period	**5.5**	10.6	10.6
Cash and cash equivalents at end of period	**4.9**	7.2	5.5

Notes to the Interim Condensed Consolidated Financial Statements

1. Basis of Preparation

Reporting Entity

Cineworld Group plc (the “Company”) is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the 26 weeks ended 28 June 2012 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in jointly controlled entities.

The consolidated financial statements of the Group as at and for the period ended 29 December 2011 are available upon request from the Company’s registered office at Power Road Studios, 114 Power Road, Chiswick W4 5PY.

Statement of Compliance

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 weeks ended 29 December 2011.

The comparative figures for the financial year ended 29 December 2011 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions, and remains satisfied with the Group’s funding and liquidity position. On the basis of its forecasts, both base case and stressed, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

Significant Accounting Policies

These condensed consolidated interim financial statements are unaudited and have been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the 52 weeks ended 29 December 2011.

2. Operating Segments

Determination and presentation of operating segments.

Further to the adoption of IFRS 8, the Group has determined that it has one segment being cinema operations. All the disclosable operating segment information required by IFRS8 can be found in the primary statements.

Notes to the Interim Condensed Consolidated Financial Statements
continued

3. Taxation

The taxation charge has been calculated by reference to the expected effective corporation tax rates for the full financial year to end on 27 December 2012 applied against the profit before tax for the period ended 28 June 2012. Recognised in the income statement:

	26 week period ended 28 June 2012 (unaudited) £m	26 week period ended 30 June 2011 (unaudited) £m	52 week period ended 29 December 2011 (audited) £m
Current year tax expense			
Current year	**3.3**	1.8	8.5
Adjustments in respect of prior years	**–**	(0.4)	(3.3)
Total current year tax expense	**3.3**	1.4	5.2
Deferred tax charge			
Current year	**0.3**	0.4	4.3
Adjustments in respect of prior years	**–**	–	–
Total deferred tax expense	**0.3**	0.4	4.3
Total tax charge in the income statement	**3.6**	1.8	9.5
Effective tax rate	**26.9%**	26.1%	28.4%

4. Finance Income and Expense

	26 week period ended 28 June 2012 (unaudited) £m	26 week period ended 30 June 2011 (unaudited) £m	52 week period ended 29 December 2011 (audited) £m
Interest income	**–**	0.1	0.1
Return on defined benefit pension plan assets	**0.1**	–	1.5
Financial income	**0.1**	0.1	1.6
Interest expense on bank loans and overdrafts	**2.6**	2.4	5.3
Amortisation of financing costs	**0.2**	0.4	0.7
Unwind of discount on onerous lease	**0.4**	0.7	1.2
Finance cost for defined benefit pension scheme	**–**	–	1.4
Interest charge as a result of change in discount rate relating to onerous lease provisions	**–**	–	0.6
Other financial costs	**0.1**	0.2	0.5
Financial expense	**3.3**	3.7	9.7
Refinancing (income)/expense	**(1.0)**	2.2	1.1
Total financial expense	**2.3**	5.9	10.8

Notes to the Interim Condensed Consolidated Financial Statements
continued

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares held by the employee ownership trust. Adjusted earnings per share is calculated in the same way except that the profit for the period attributable to ordinary shareholders is adjusted by adding back the amortisation of intangible assets, the cost of share-based payments and other one-off income or expense. Adjusted pro forma earnings per share is calculated by applying a tax charge at the statutory rate, to the adjusted profit.

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of any non-vested ordinary shares held by the employee share ownership trust and after adjusting for the effects of dilutive options.

	26 week period ended 28 June 2012 (unaudited) £m	26 week period ended 30 June 2011 (unaudited) £m	52 week period ended 29 December 2011 (audited) £m
Profit for the period attributable to ordinary shareholders	**9.8**	5.1	23.9
Adjustments:			
Amortisation of intangible assets	**0.1**	0.1	0.1
Share-based payments	**0.4**	0.3	0.6
Transaction and reorganisation costs	**–**	3.3	3.9
Impairments and reversals of impairments	**0.7**	–	–
Dilapidations costs	**–**	(0.1)	(0.2)
Onerous lease credit	**–**	–	(0.3)
Defined benefit scheme indexation gain	**–**	–	(1.7)
Refinancing expenses	**(1.0)**	2.3	1.2
Adjusted earnings	**10.0**	11.0	27.5
Add back tax charge	**3.6**	1.8	9.5
Adjusted pro forma profit before tax	**13.6**	12.8	37.0
Less tax at statutory rate 24.5% (2011: 26.0%)	**(3.3)**	(3.3)	(9.6)
Adjusted pro forma profit after tax	**10.3**	9.5	27.4

Notes to the Interim Condensed Consolidated Financial Statements continued

5. Earnings Per Share continued

	Number of shares (m)	Number of shares (m)	Number of shares (m)
Weighted average number of shares in issue	**142.6**	141.9	142.0
Basic and adjusted earnings per share denominator	**142.6**	141.9	142.0
Dilutive options	**1.6**	0.6	0.9
Diluted earnings per share denominator	**144.2**	142.5	142.9
Shares in issue at period end	**142.8**	142.0	142.3

	Pence	Pence	Pence
Basic earnings per share	**6.9**	3.6	16.8
Diluted earnings per share	**6.8**	3.6	16.7
Adjusted pro forma basic earnings per share	**7.2**	6.7	19.3
Adjusted pro forma diluted earnings per share	**7.1**	6.7	19.2

6. Dividends

The Directors have declared an interim dividend of 3.8p per share, amounting to £5.4m, which will be paid on 5 October 2012 to ordinary shareholders on the register at the close of business on 7 September 2012. In accordance with IAS 10, this will be recognised in the reserves of the Group when the dividend is paid.

7. Analysis of Net Debt

	Cash at bank and in hand £m	Bank loans £m	Finance leases £m	Interest rate swap £m	Net debt £m
Balance at 29 December 2011	5.5	(95.7)	(6.7)	(4.5)	(101.4)
Cash flows	(0.6)	2.5	0.2	–	2.1
Non-cash movement	–	(0.2)	(0.2)	0.5	0.1
Balance at 28 June 2012	**4.9**	**(93.4)**	**(6.7)**	**(4.0)**	**(99.2)**

8. Property, Plant and Equipment

During the 26 weeks to 28 June 2012, the Group acquired assets of £16.0m (26 weeks to 30 June 2011: £14.4m; 52 weeks ended 29 December 2011: £28.3m)

9. Capital Commitments

Capital commitments at the end of the financial period for which no provision has been made were £2.8m at 28 June 2012 (30 June 2011: £1.4m and 29 December 2011: £2.8m relating primarily to digital equipment).

Notes to the Interim Condensed Consolidated Financial Statements
continued

10. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Total compensation for the Directors during the 26 weeks to 28 June 2012 was £609,000 (26 weeks to 30 June 2011 was £877,000; 52 weeks ended 29 December 2011: £1,832,000).

Digital Cinema Media ("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 26 weeks to 28 June 2012 was £5.1m (26 weeks ended 30 June 2011 totalled £6.0m and 52 weeks to 29 December 2011: £13.6m) and as at 28 June 2012 £1.3m was due from DCM in respect of trade receivables (30 June 2011: £1.5m and 29 December 2011: £1.3m). In addition the Group has a working capital loan outstanding from DCM of £0.5m (52 weeks to 29 December 2011: £0.5m).

Independent Review Report to Cineworld Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the 26 weeks ended 28 June 2012 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the "DTR") of the UK's Financial Services Authority (the "UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FSA.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 weeks ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

M Summerfield
For and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL

16 August 2012

Risks and Uncertainties

A summary of the key risks and uncertainties is set out below. The only additional significant risk identified since 29 December 2011 is the possible impact of extreme weather conditions. A more detailed description of the risks existing as at 29 December 2011 and also some factors and actions taken by the Group which mitigate them were set out on pages 24 and 25 of the Group's Annual Report for 2011, a copy of which is available from our website www.cineworldplc.com. Despite the current uncertainty in the economic environment, the risks and uncertainties summarised below are not expected to change materially in the remainder of the year.

Availability of Film Content

Cinema-going in the UK is driven primarily by output from six Hollywood film studios which may seek to negotiate film hire terms less favourable to Cineworld.

During periods where there are fewer major films, our box office revenues may decline.

Digital Conversion Costs

Film studios have agreed to help finance Cineworld's conversion to digital projection and it expects to recover up to 90% of the total costs of conversion over a seven to ten year period which were circa £40m. There is a risk that full recovery of these costs does not happen within the ten year term of the agreed arrangements.

Alternative Media and Advancement of Technology

Film studios may choose to release their films through other channels instead of primarily through exhibition at cinemas.

Also the film studios may seek to reduce the release window (the period between the film being released at the cinema and other distribution channels as mentioned above).

The continuing development of existing and new technology (such as 3D television and internet streaming) may introduce new competitive forces for the film-going audience.

Film Piracy

Film piracy has implications for the business as it may force film studios to invest less in films resulting in the release of fewer films and/or an increase in the use of other channels for their release.

Screen Advertising Revenue

Screen advertising accounts for a significant proportion of the Group's profits and the level of revenues earned will be affected by the overall demand for advertising.

In addition, lower levels of admissions may impact the level of advertising which the business can attract.

Poor Location Selection and Construction

The selection of the wrong location for the development of a new cinema, or its poor construction, could result in lower than expected returns and a series of poor decisions on locations, or poorly constructed cinemas, could seriously impact the Group.

Risks and Uncertainties
continued

Extreme Weather Conditions	Unusual weather patterns such as extreme snowfalls in winter can impact attendances at cinemas and, particularly where this coincides with major film releases, it could have a significant effect on revenues.
UK and Global Economy	The main driver of cinema-going is the film, although it is recognised that macro-economic influences may affect cinema-going and the level of retail spend per customer on each visit. In addition, the price of such items as energy and foodstuffs has a direct impact on costs which we may not be able to pass on to customers.
Availability of Capital	The cost and availability of finance, both debt and equity, will affect the Group's ability to undertake investment and expansion. The failure of one of the banks used by the Group could result in the loss of deposits and/or banking facilities. Reduced lending may also affect the financing of film productions which could reduce the supply of films.
Competition	Existing competitors could change their strategies or a new competitor could enter the market at a local or national level reducing trade. Cinemas also compete for customers against other leisure and entertainment attractions which may impact attendance levels. Aging of the UK population may result in lower attendances and lower sales of key retail products because of changes in fashions and tastes.
Reputational Risk	Damage to the Group's reputation could impact its earnings, growth prospects and the ability to secure capital funding.
Failure of IT Systems and Suppliers	The failure of, or the unsuccessful upgrading or replacement of, the Group's key IT systems could seriously impact the Group's continued success.
Government Regulations and Actions	Failure to comply with central and local regulations covering such matters as planning, the environment, health and safety, licensing, food and drink retailing, data protection and the minimum wage may result in fines and/or other sanctions. In addition, changes to pension legislation could result in additional costs.

Responsibility Statement of the Directors in Respect of the Interim Report

The Directors confirm that to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

The Chief Executive Officer's Review and the condensed set of financial statements include a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial period and their impact on the condensed interim financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial period; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial period and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Cineworld Group plc are listed in the Cineworld Annual Report 2011.

By order of the Board

Stephen Wiener
Director

Philip Bowcock
Director

16 August 2012

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Notes

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