Interim Report 2014

Our vision

To be the best way to see a movie

Contents

Highlights 1
Chief Executive Officers' Review 2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income 12
Condensed Consolidated Statement of Financial Position 13
Condensed Consolidated Interim Statement of Changes in Equity 14
Condensed Consolidated Statement of Cash Flows 16
Notes to the Interim Condensed Consolidated Financial Statements 17
Independent Review Report to Cineworld Group plc 26
Risks and Uncertainties 27
Responsibility Statement of the Directors in Respect of the Interim Report 30
Shareholder Information 31

Highlights

2014

- Combination with Cinema City Holding B.V. ("Cinema City") completed on 28 February 2014;
- Group revenue growth of 33.2% on a statutory basis and 1.5% on a pro forma basis[1];
- UK & Ireland revenue growth of 0.3%, with increased market share of 27.9% (2013: 27.7%)[2];
- CEE[3] & Israel revenue growth of 4.0% on a pro forma basis;
- EBITDA[4] growth of 43.4% on a statutory basis and 5.1% on a pro forma basis;
- Profit before tax of £13.9m stated after non-recurring costs and amortisation of £11.4m resulting in adjusted profit before tax[5] of £25.3m, growth of 46.2%;
- Interim dividend increased by 2.7% to 3.8p on a rights adjusted basis[6];
- Adjusted diluted EPS[7] growth of 18.7%;
- Strong cash generation of £13.7m enabling deleveraging post Cinema City combination; net debt of £286.1m;
- Synergies from Cinema City combination now expected to be £5m; £2m target already achieved.

1 Pro forma results refer to the Group's performance had Cinema City been consolidated for the entirety of the period under review. Where percentage movements are given, these reflect performance on a constant currency basis.
2 Source: Rentrak.
3 CEE is defined as Central and Eastern Europe and includes Poland, Hungary, Romania, Czech Republic, Bulgaria and Slovakia.
4 EBITDA is defined as operating profit before depreciation and amortisation, impairment charges, onerous lease and other non-recurring charges, transaction and reorganisation costs and refinancing costs.
5 Adjusted profit before tax is calculated by adding back amortisation of intangible assets (with the exception of film distribution rights) and other one-off income or expense totalling £11.4m (please refer to Note 5) to profit before tax.
6 The 2013 interim dividend per share has been adjusted to take account of the rights issue of 8 for 25 on 14 February 2014. The interim dividend per share for 2013 as previously reported was 4.1p.
7 The interim 2014 adjusted diluted earnings per share have been adjusted for the first 48 days of the period to take into account of the rights issue of 8 for 25 shares on 14 February 2014. The interim 2013 and annual 2013 adjusted diluted earnings per share have also been adjusted to take account of the rights issue in order to present a comparator. The interim adjusted diluted earnings per share for 2013 as previously reported was 9.0p.

Chief Executive Officer's Review

Cineworld Group plc interim results for the 26 week period ended 26 June 2014 reflect the trading performance and financial position of Cineworld Cinema and Picturehouse ("UK & Ireland") and Cinema City ("CEE & Israel") which together are defined as the "Group".

UK & Ireland

Cineworld Cinemas and Picturehouse achieved a solid level of trading in the first half of 2014 and we remained the largest operator in the UK & Ireland with an increased market share of 27.9% (2013: 27.7%) (Source: Rentrak). Total revenues were up 0.3% on the prior year. Box office revenues declined by 0.5% compared with a UK & Ireland market decline of 5.7% (source: Rentrak) over the same period. Admissions were lower by 3.4% compared with the equivalent period last year, predominantly due to the impact of the World Cup in June 2014.

Moshe Greidinger
Chief Executive Officer

Box Office

Film performance for the first half of the year was underpinned by the success of "The Lego Movie", "X-Men: Days of Future Past" and "The Amazing Spiderman 2", all of which grossed over £24m in the UK and Ireland. They were supported by a number of other good film performances including "The Wolf of Wall Street" and "Twelve Years a Slave", as well as the play-through from 2013 releases: "Frozen" and "The Hobbit: The Desolation of Smaug". Cineworld Cinemas remained the leading exhibitor of Bollywood films with a box office market share in excess of 55% in the UK.

Cineworld Cinema's average ticket price grew by 2.6% to £5.53 (2013: £5.39). The increase reflects inflationary price rises, partly offset by a reduction in 3D admissions during the period. 3D films accounted for 16.3% of admissions in the first half of 2014 (2013: 18.7%).

Retail

Cineworld Cinema's retail revenue was 0.7% higher than the previous year. Retail spend per person increased by 4.6% from £1.71 in the previous year to £1.79 during the period. The increase was partly attributable to film mix, as well as the positive impact of strengthening and broadening Cineworld Cinemas' retail offering which included the roll-out of Baskin Robbins concessions across the estate and the full impact of the additional nine Starbucks outlets opened in the second half of 2013. We also opened a Starbucks outlet in the new 11 screen Cineworld Cinema in Telford this month, with further outlets in the pipeline for the second half of 2014 and 2015.

Other Income

Other income includes all other revenue streams outside of box office and retail. The largest single element of other income is screen advertising. Trading at Digital Cinema Media ("DCM"), our joint venture screen advertising business, was better in the first half of 2014 than the comparative period and resulted in a 6.6% increase in Cineworld Cinemas' share of advertising revenues.

Picturehouse

Overall, Picturehouse revenues for the period increased by 5.1%. Box office increased by 6.3% to £10.5m – reflecting the 0.9% increase in admissions and a 5.3% rise in average ticket price. Retail revenue increased by 7.8% to £4.9m and other income decreased by 0.5% to £3.9m.

On 8 October 2013, the Competition Commission published their decision on the acquisition of Picturehouse, resulting in the requirement to dispose of one cinema in each of Aberdeen, Bury St Edmunds and Cambridge. Following the publication on 31 January 2014 of the Competition Commission's final report, the Group had until 31 July 2014 to divest itself of the cinemas at the three locations. The contract to operate the Belmont Picturehouse in Aberdeen transferred out of the Group in April 2014, and the Abbeygate Picturehouse in Bury St Edmunds was sold in June 2014. The profit recognised on disposal of Bury St Edmunds totalled £0.1m. There was no gain or loss recognised on the transfer of the operating contract for Aberdeen.

The process of disposing of a site in Cambridge is still ongoing and the Group has been granted an extension from the end of July to the end of September 2014 to complete the divestment.

Initiatives and Cinema Expansion

Our "Unlimited" programme has continued to grow during the period. This service is unique to the market and continues to offer excellent value to regular film goers, who can visit Cineworld Cinemas to see as many standard films as they wish, while encouraging visits at off-peak times, which in turn improves seat utilisation at our Cinemas. Unlimited continues to be a pillar of our strategy of growing revenues and incremental admissions and we remain committed to its expansion. During the period we have developed plans to introduce dedicated Unlimited areas in cinemas – enabling quicker sign-up to the programme.

Following feedback from our customer base, we have introduced allocated seating into Cineworld Cinemas. This has enabled customers to guarantee their seats when they book online or in the cinema itself. The initiative is designed to encourage customers to book tickets ahead of their chosen screening, resulting in fewer people queuing in the cinema and a more pleasurable customer experience.

Cineworld Cinemas has also expanded the IMAX format across a selection of its sites following its successful introduction in 2011. In July 2014, three new IMAX screens were opened in existing cinemas in Ashton Under Lyne, Castleford and Stevenage, with a further two openings planned in Cheltenham and Chichester in November this year. The new 11-screen Cineworld Cinema in Telford also includes an IMAX screen. A further two IMAX screens will be included in new sites scheduled for opening in 2015 (Broughton and Solihull NEC), with more in the pipeline.

In May 2014, Cineworld Cinemas opened a new six-screen cinema in St Neots, which has been well received by the local market. As mentioned above a new 11-screen cinema opened in Telford this month. The new cinemas opened in the second half of 2013 (Wembley and Gloucester Quay) have performed in line with expectations during the first half of 2014.

The Group has a number of further development sites signed or in legal negotiation and has a good pipeline of further opportunities to achieve its target of 169 new screens in the UK and Ireland within the next three years.

Chief Executive Officer's Review
continued

Central & Eastern Europe ("CEE") and Israel

The Cinema City business is one of the largest in continental Europe and operates 100 multiplexes, with a total of 972 screens across CEE & Israel. In Israel, Cinema City operates under the Yes Planet and Rav-Chen brands, and in CEE under the Cinema City brand.

The Cinema City business joined the Group on 28 February 2014. In order to be able to better explain and analyse the period on period developments the 2014 information for Cinema City has been presented on a pro forma six-month basis by summing the two month pre-acquisition management accounts to 28 February 2014 to the post-acquisition financial information for the 17 weeks to 26 June 2014. The results have been translated at the applicable average exchange rates for the period. Where percentage movements are given, these reflect performance on a constant currency basis.

Box Office

Trading was particularly strong in the first two months of the current year which resulted in first half box office revenues increasing by 6.0% to £68.7m when compared to the comparative period in 2013. During the period admissions increased by 7.6% to 18.8m, with increased volumes in all territories except Israel which suffered a year-on-year decline due to the phasing of the release of film titles. While there was a general consistency in box office performance between the key titles in the UK and Ireland compared to CEE and Israel, a number of other films performed strongly within the region. "Noah", "Jack Strong" and "Rio 2" featured in the top three film performances for a number of the territories. Local films, especially in Poland, are popular with audiences. "Pod Mocnym Aniołem" and "Wkreceni" were the fourth and fifth most popular titles in Poland respectively, outperforming the majority of Hollywood titles released in the period.

Average ticket price decreased by 1.5% to £3.65 partly due to the decline in admissions in Israel, which typically attracts higher average ticket prices than the other territories, coupled with the film mix in Poland where the performance of family movies, attracting lower ticket prices, has been strong. As with the UK & Ireland, fluctuations in average ticket price are driven by a number of factors including the number of premium admissions (e.g. 3D, IMAX and 4DX), exchange rate fluctuations, film mix and pricing policy.

Retail

Retail spend per person increased to £1.32 during the period – an increase of 0.3%. The greatest increases were achieved in Hungary (8.0%), Czech Republic (3.9%), Bulgaria (2.5%) and Romania (1.4%). The growth was driven by an increased retail offering across the region. Spend per person was generally stable in the other territories, with a small decline in Israel and Poland.

Distribution Income

Distribution revenues relate to the Forum Film brand which is Cinema City's film distribution business. Forum Film operates across the CEE & Israel region and distributes films on behalf of the major Hollywood studios as well as owning the distribution rights to certain titles. Distribution revenues decreased by 21.0% to £6.6m compared to the same period in 2013. The decline is due to the phasing of titles during the year but overall 2014 year-on-year performance is expected to be comparable with the previous year.

Other Income

Other income in respect of the cinema operations includes on and off-screen advertising. Other income also includes revenues generated by New Age Media which is Cinema City's advertising and sponsorship arm. New Age Media offers on and off-screen advertising to not only Cinema City cinemas but other cinema chains in the region. Revenues in respect of New Age Media increased by 4.5% to £9.2m compared to the same period in 2013.

Initiatives and Cinema Expansion

In general, the territories in which Cinema City operates are underpenetrated and have lower annual admissions per capita than in typical Western European markets such as the UK. The Group believes that there is significant potential for growth in cinema admissions by opening new cinemas in under-screened locations and is looking to capitalise on this opportunity.

Cinema City has a strong track record of driving growth, having more than doubled its number of screens over the last eight years. Cinema City has a pipeline of 28 new multiplexes (305 screens) signed which will come on-stream over the next three years.

In April 2014 we opened a new six screen multiplex in Ploiesti, Romania – the first cinema opening under the Cinema City brand since the business combination. We are scheduled to open a further five new cinemas with a total of 47 screens in the second half of the year.

Cinema City currently operates 4DX in four of its cinemas. 4DX is cinema system technology allowing the audience to view feature-length films in 4D with the choreographed mix of air, water, scent, motion and vibration. Cinema City is currently scheduled to introduce 4DX into a further two screens in CEE & Israel in the second half of the year, with a further eight screens in 2015. We are also planning to expand this concept into the UK and expect to open the first 4DX screen in the UK by the end of 2014 with a further four screens in 2015.

FINANCIAL PERFORMANCE

	26 week period ended 26 June 2014			26 week period ended 27 June 2013	52 week period ended 26 December 2013
	UK & Ireland Total	CEE & Israel[1] Total	**Group[2] Total**	Group Total	Group Total
Admissions	25.1m	10.7m	**35.8m**	25.9m	51.5m
	£m	£m	£m	£m	£m
Box office	140.2	39.8	**180.0**	140.9	279.9
Retail	47.0	14.6	**61.6**	46.3	94.1
Distribution	–	4.2	**4.2**	–	–
Other	15.1	7.7	**22.8**	14.4	32.1
Total revenue	202.3	66.3	**268.6**	201.6	406.1
EBITDA[3]	32.5	13.4	**45.9**	32.0	72.3
Operating profit	14.1	5.5	**19.6**	20.0	37.5

1 Cinema City became part of the Group on 28 February 2014 and has been consolidated for the final 17 weeks of the period only.
2 "Group" refers to the statutory results for Cineworld Group plc for the 26 week period ending 26 June 2014.
3 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.

Chief Executive Officer's Review
continued

EBITDA[1] and Operating Profit

Group EBITDA was 43.4% higher at £45.9m against 2013 (£32.0m). Of this increase, £13.4m relates to the contribution of Cinema City for the 17 week period to 26 June 2014.

EBITDA generated by the UK and Ireland (Cineworld Cinemas and Picturehouse) was up 1.6% during the period at £32.5m (2013: £32.0m). Gross profit margin in the UK and Ireland has improved by 0.8 percentage points. The nature of the film mix during the period has resulted in a favourable film hire rate. Royalty payments in respect of IMAX and 3D have also been lower. There has been a small increase in concession cost of sales due to the increase in Starbucks as a proportion of total retail sales which attracts a lower margin. Utility costs have been favourable against the prior period due to the milder winter while property and other costs have remained in line with the prior period.

EBITDA generated by CEE & Israel (Cinema City) over the pro forma 26 week period to 26 June 2014 was up 7.0% compared to the same period in the prior year. Gross profit margin in CEE & Israel has improved by 1.9 percentage points. As with the UK, the film mix has resulted in a favourable film hire rate and the concession cost of sales has remained flat. There were savings in staff costs, advertising and publicity utility costs.

As the Group now operates in an additional seven territories, it has increased its exposure to exchange rate fluctuations. Wherever possible, cash income and expenditure is settled in local currency to mitigate exchange losses. However, there are translation exchange differences arising when presenting the performance of Cinema City as part of the Group. During the period for which Cinema City was part of the Group, EBITDA of £13.4m included translation losses of £0.3m.

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.

Operating profit at £19.6m was 2.0% lower than the prior period (2013: £20.0m). Of the £19.6m, £5.5m related to Cinema City performance. Operating profit included a number of non-recurring and non-trade related costs totalling £6.4m (2013: £nil). Included within this amount were costs in respect of the acquisition of Cinema City totalling £5.1m. The residual amount related to an increase in other provisions in respect of dilapidations and litigation. Operating profit also included the profit recognised on disposal of the Picturehouse in Bury St Edmunds totalling £0.1m.

The total depreciation and amortisation charge (included in administrative expenses) in the period totalled £19.9m. Of this, £11.2m related to depreciation in the UK & Ireland (which was consistent with the prior period) and £6.4m related to depreciation in CEE & Israel. Amortisation of £1.5m was incurred as a result of the intangible assets recognised as part of the acquisition of Cinema City (please see Note 11). The remainder of the charge relates to amortisation of other intangible assets held by the Group.

Finance Costs

As part of the combination with Cinema City, the Group entered into a new five-year facility to finance the combination and repay the existing facility. An element of the new facility was drawn to part settle the acquisition cash consideration of £272m and €14.5m was drawn for the settlement of Cinema City's existing debt facilities. The residual portion of the facility has been drawn to repay the existing facilities (in place during the 2013 comparative period) of the combined Group and to fund general working capital requirements going forward. The new facility provides funding of £400m of which £275m is a term loan and £125m is a revolving credit facility. £160m (€192m) of the new facility is available in Euros, reflecting the composition of the combined Group. This new financing arrangement became effective on 10 January 2014, but the new facility was not drawn and the existing facility was not repaid until 27 February 2014. As with the previous facility, the new facility is subject to floating interest

rate charges. The new facility is subject to two covenants: the ratio of EBITDA to net debt and the ratio of EBITDAR (pre-rent EBITDA) to net finance charges. A margin, determined by the results of the covenant tests at a given date, is added to LIBOR. The margin on the term loan can range between 1.65% and 3.15% and the margin on the revolving credit facility can range between 1.40% and 2.90%. At 26 June 2014, term debt totalled £275m and £41m of the £125m revolving credit facility was utilised.

Since entering into the new facility management have evaluated the potential risk of a material impact arising from interest rate fluctuations and as a result have restructured the Group's hedging arrangements to mitigate such risk. At 26 June 2014, the Group had six (2013 period end: two) interest rate swaps which hedged 50% (2013: 65%) of the Group's variable rate unsecured term loan. The two existing swaps relating to the old facility have been transferred to the new facility and there are four additional new swaps. Under IFRS, there is a requirement for the existing swaps to be reassessed to establish whether they still meet the criteria for hedge accounting. As such, the fair value of the two existing swaps at 28 February 2014 previously recognised in other comprehensive income of £1.9m was recycled to the income statement as an exceptional finance expense.

Net financing costs totalled £5.5m during the period (2013: £3.2m) which is a net increase of £2.3m. Of the net increase, £1.6m reflects the increase in underlying bank interest charges as a result of the change in finance structure of the combined Group. Amortisation of prepaid finance costs has increased £0.9m to £1.1m (2013: £0.2m). The charge includes a one-off write down of £0.7m relating to prepaid finance costs in respect of the Group's old facilities which had not been fully amortised at the time of settling the old debt. There is a separate charge of £1.9m which relates to the ceased hedged relationship and the resulting accounting following the refinancing. There has also been a £0.9m increase in the unwinding of discount on property and other provisions, and a net of £3.0m on foreign exchange in respect of the Euro term loan.

Taxation

The overall tax charge of £2.1m (2013: £4.5m) consisted of a current tax charge of £2.3m (2013: £4.2m) and a deferred tax expense of £(0.2)m (2013: £0.3m). The total current tax charge is based on a forecast effective tax rate for the 2014 full year of 22.3% (2013: 27.3%). The forecast effective tax rate takes into account one-off disallowable expenditure in relation to deal costs arising from the business combination with Cinema City as well as the local statutory tax rates applied in the territories in which the Group now operates. Excluding the impact of one-off disallowable expenditure, it is estimated that the underlying effective tax rate for the year would be 21.7%.

Earnings

Profit on ordinary activities before tax in the period was £13.9m, a decrease of 15.8% compared to the comparative period. Basic earnings per share amounted to 5.2p (2013: 8.0p).

Eliminating the one-off, non-trade related items described above (totalling £6.4m within operating profit and exceptional finance charges of £2.6m), adjusted diluted earnings per share were 8.9p (2013: 7.5p). Following the business combination with Cinema City, the Group has taken the opportunity to consider how it presents its adjusted earnings per share calculation. After a review of comparable UK Premium Listed companies, a decision was made to no-longer add back the charge for share-based payments as it is considered to be an ongoing cost of remunerating staff. Furthermore, given the international nature of the combined Group, it was decided that only the tax impact of non-recurring items should be taken into account rather than applying a single local or effective tax rate (please refer to Note 5).

Chief Executive Officer's Review
continued

Cash Flow and Balance Sheet

Overall, net assets have increased by £306.3m to £500.2m since 26 December 2013. This includes the recognition of the fair value of net assets acquired with Cinema City totalling £175.0m and the residual goodwill recognised on acquisition of £335.6m.

Acquisition of Cinema City

On 10 January 2014, Cineworld Group plc announced the combination with the cinema business of Cinema City International N.V. ("CCI"), by means of an acquisition of the shares in Cinema City Holding N.V. ("CCH"), a subsidiary of CCI. At the date of announcement, the headline consideration for the combination equated to £503m in cash and shares and €14.5m for the settlement of CCH bank debt. The combination was completed on 28 February 2014, at which point adjustments for certain provisions of the purchase agreement resulted in a fair value of consideration transferred of £510.6m. Consideration for the transaction was settled with cash and shares. Final cash consideration of £302.6m was part funded by an 8 for 25 Rights Issue which completed on 14 February 2014, raising net funds of £107.2m with the residual cash consideration being funded from the Group's new debt facility. The Group issued to CCI shares in Cineworld Group plc which were valued at £208.0m when the combination completed on 28 February 2014. The consideration shares represented 24.9% of the post-rights issue share capital of the Group.

As noted above, the fair value of net assets acquired with Cinema City totalled £175.0m. Management are in the final stages of attributing the fair value to the acquired assets and liabilities and as a result the fair value of acquired net assets is disclosed on a provisional basis. Acquired net assets were reduced by £61.0m (please refer to Note 11). At the time of acquisition, management had anticipated that certain fair value adjustments would arise. None of the adjustments subsequently identified has had a negative impact on profit or cash generation during the period and they are not expected to impact the Group's ability to deliver future earnings.

Of the fair value of net assets acquired, previously unrecognised identifiable intangible assets total £46.1m. This includes the value attributed to the cinema brand of £24.4m, distribution relationships with a fair value of £10.3m and advertising relationships with a fair value of £11.4m. Residual goodwill of £335.6m represents the skills and industry knowledge of Cinema City's management and workforce, synergies expected to be realised post acquisition and the future value expected to be generated by the Group from Cinema City's pipeline of new sites and ability to enter new territories.

At the time of announcing the combination, synergies identified totalled £2.0m. This amount has been successfully achieved since acquisition on an annualised basis. Management are now confident that further annualised synergies of £5m can be achieved over the next three years, with an ongoing exercise under way to identify and capitalise on further opportunities.

Cash Flow and Net Debt

The Group continued to be cash generative at the operating level during the first half. Cash generated from operations totalled £42.7m (2013: £19.9m). The increase reflects cash generated by Cinema City and the timing of cash payments. Trade and other payables at the end of June 2014 included £16.9m in respect of the 2013 final dividend that was paid in July 2014. Details of the interim dividend can be found in Note 6 of the interim financial statements.

Net cash capital expenditure for the first six months was £19.5m (2013: £6.0m) which was in line with expectations. Included in this figure was £12.3m in respect of new site development which is stated net of £1.5m reverse premiums received, £4.9m in respect of existing site maintenance and £2.3m on development of revenue generating initiatives included IMAX and Starbucks.

Net debt has increased during the first six months of the year from £112.3m in December 2013 to £286.1m as a result of the acquisition part funded through the new financing structure of the combined Group. The net increase in bank loans and overdrafts in the period was £184.4m, this was part offset by cash acquired with Cinema City of £24.1m. Net debt at the period end represented 2.27 times the rolling 12 months EBITDA figure for the combined Group (on a pro forma basis).

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 and uncertainties are set out below in summary form after the Independent Review Report.

The Board has identified a number of changes since December 2013:

The Impact of Lobbying Groups and Social Media: lobbying groups and people using social media have the ability to influence public opinion in ways which may be detrimental to the Group affecting brand perception and potentially causing a decline in admissions.

Terrorism and Civil Unrest: following the Combination, the Group faces an increased exposure to terrorism and civil unrest due to the territories in which it now operates.

Failure of IT systems or Data Controls: breach of Data Protection rules or breach in security measures surrounding the storage of confidential or proprietary information held by the Group could result in access, loss or disclosure of this information leading to legal claims, regulatory penalties, disruption of operations of the Group and damage to reputation.

There are a number of other risks that are generic to many multinational businesses which are not listed, including, but not limited to matters such as: treasury management, inappropriate contracts, tax and retention of key individuals.

A more detailed description of the principal business specific risks and uncertainties existing as at December 2013 also some factors and actions taken by the Group to mitigate them were set out on pages 20 and 23 of the Group's Annual Report for 2013, a copy of which is available from Cineworld's website www.cineworldplc.com.

Despite prevailing circumstances in the countries in which the Group operates, the risks and uncertainties are not expected to change materially in the remainder of the year.

Chief Executive Officer's Review
continued

RELATED PARTY TRANSACTIONS
Details of related party transactions described in the Annual Report for the 26 weeks to 26 June 2014 are set out in Note 10 of the interim financial statements.

GOING CONCERN
As previously noted, as part of the combination with Cinema City, the Group has entered into a new five-year facility which was used to part finance the combination, repay existing facilities and fund the general working capital requirements of the Group. The new facility includes a £275m term loan and a £125m revolving credit facility. 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 its current facility, including compliance with the bank facility covenants. 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.

BOARD CHANGES
On completion of the combination with Cinema City, Moshe (Mooky) Greidinger (former Chief Executive Office of Cinema City International N.V.) and Israel Greidinger (former Chief Financial Officer of Cinema City International N.V.) joined the Board of Cineworld Group plc as Chief Executive Officer and Chief Operating Officer respectively. At the same time Mooky Greidinger and Israel Greidinger stepped down from their executive positions on the Board of Cinema City International N.V. (now Global City Holdings N.V.). Given the investment in Cineworld Group plc held by Cinema City International N.V. a relationship agreement was put in place to govern the key operational arrangements between the related parties. This agreement gives Global City Holdings N.V. the right to appoint a Non-Executive Director to the Board.

On 20 November 2013, the Group announced the resignation of Stephen Wiener, Cineworld's founder and CEO, and he left the employment of the Group on 31 March 2014.

On completion of the combination with Cinema City, Scott Rosenblum and Arni Samuelsson joined the Board as Non-Executive Directors. Scott Rosenblum was appointed by Global City Holdings N.V. in accordance with the relationship agreement. Stephen Wiener stepped down from his role as CEO and as a Director at that time.

On 6 August 2014 it was announced that Israel Greidinger's role would change from Chief Operating Officer to Deputy Chief Executive Officer.

DIVIDENDS
The Board is declaring an interim dividend of 3.8p per share (2013: 3.7p – adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014, or 4.1p as previously stated), reflecting the solid performance in the first half of the year. The dividend will be paid on 3 October 2014 to ordinary shareholders on the register at the close of business on 5 September 2014.

CURRENT TRADING AND OUTLOOK

The films at the start of third quarter have performed in line with expectations with the key titles being "Dawn of the Planet of the Apes", "Transformers: Age of Extinction" and "How to Train Your Dragon 2". Trading in the opening weeks of the quarter has, as expected, been lower than the prior year due to the impact of the final stages of the World Cup and the phasing of title release dates. There are a number of releases in the second part of Q3 which are expected to be popular which include "Guardians of the Galaxy", "Planes 2: Fire and Rescue" and "The Inbetweeners 2". Taking these into account, we can expect Q3 to be in line with the prior year.

Later in the second half, a number of films from proven franchises are scheduled for release including the next instalment of the Hunger Games series "The Hunger Games: Mockingjay Part 1" and "The Hobbit: The Battle of the Five Armies" (in 3D). In addition to the franchises there are some promising original titles, such as the new Christopher Nolan (Dark Night Rises and Inception) title "Interstellar", which will strengthen the film line up. Overall, the strength of the film line up in the second half, coupled with our solid first half performance, gives us confidence and we are on track with our plans for the year.

Moshe Greidinger
Chief Executive Officer

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 Profit or Loss and Other Comprehensive Income

for the period ended 26 June 2014

	Note	**26 week period ended 26 June 2014 (unaudited) £m**	26 week period ended 27 June 2013 (unaudited) £m	52 week period ended 26 December 2013 (audited) £m
Revenue		**268.6**	201.6	406.1
Cost of sales		**(197.6)**	(148.6)	(293.3)
Gross profit		**71.0**	53.0	112.8
Other operating income		**0.2**	0.2	0.5
Profit on sale of assets and liabilities classified as held for sale		**0.1**	–	–
Administrative expenses		**(51.7)**	(33.2)	(75.8)
Operating profit		**19.6**	20.0	37.5
Analysed between:				
Operating profit before depreciation and amortisation, impairment charges, onerous lease and other non-recurring charges, transaction and reorganisation costs, and refinancing costs		**45.9**	32.0	72.3
– Depreciation and amortisation		**(19.9)**	(12.0)	(24.0)
– Onerous leases and other non-recurring charges		**(1.3)**	–	(0.7)
– Impairments and reversals of impairments		**–**	–	(2.0)
– Transaction and reorganisation costs		**(5.1)**	–	(8.1)
Financial income	4	**3.2**	0.2	0.3
Financial expenses	4	**(6.8)**	(3.4)	(6.8)
Net change in fair value of cash flow hedges reclassified from equity	4	**(1.9)**	–	–
Net financing costs		**(5.5)**	(3.2)	(6.5)
Share of loss of jointly controlled entity using equity accounting method, net of tax		**(0.2)**	(0.3)	(0.1)
Profit before tax		**13.9**	16.5	30.9
Taxation	3	**(2.1)**	(4.5)	(9.9)
Profit for the period attributable to equity holders of the Company		**11.8**	12.0	21.0
Other comprehensive income				
Foreign exchange translation (loss)/gain		**(6.4)**	0.3	(0.4)
Remeasurement of the defined benefit asset		**0.3**	0.7	(0.7)
Movement in fair value of cash flow hedges		**0.2**	0.8	(1.6)
Net change in fair value of cash flow hedges recycled to profit or loss		**1.9**	–	–
Income tax (charge)/credit on other comprehensive income		**(0.1)**	(0.3)	0.2
Other comprehensive income for the period, net of income tax		**(4.1)**	1.5	(2.5)
Total comprehensive income for the period attributable to equity holders of the Company		**7.7**	13.5	18.5
Basic earnings per share		**5.2p**	8.0p	14.0p
Diluted earnings per share		**5.1p**	7.9p	13.8p

Condensed Consolidated Statement of Financial Position

as at 26 June 2014

	26 June 2014 (unaudited)		27 June 2013 (unaudited)		26 December 2013 (audited)	
	£m	**£m**	£m	£m	£m	£m
Non-current assets						
Property, plant and equipment		**298.3**		158.8		162.1
Goodwill		**569.1**		236.9		236.2
Other intangible assets		**63.8**		14.6		13.8
Investment in equity-accounted investee		**0.4**		0.4		0.6
Other receivables		**1.4**		1.4		1.4
Employee benefits		**6.5**		5.8		5.3
Deferred tax assets		**12.4**		9.2		8.1
Total non-current assets		**951.9**		427.1		427.5
Current assets						
Inventories	**7.1**		3.3		3.5	
Trade and other receivables	**50.6**		31.9		34.6	
Assets classified as held for sale	**1.6**		–		2.3	
Cash and cash equivalents	**32.4**		3.4		19.0	
Total current assets		**91.7**		38.6		59.4
Total assets		**1,043.6**		465.7		486.9
Current liabilities						
Interest bearing loans, borrowings and other financial liabilities	**(13.6)**		(7.5)		(6.3)	
Bank overdraft	**(3.2)**		–		–	
Trade and other payables	**(117.2)**		(74.6)		(82.7)	
Current taxes payable	**(2.2)**		(3.5)		(3.9)	
Liabilities classified as held for sale	**–**		–		(0.1)	
Provisions	**(9.5)**		(0.4)		(1.1)	
Total current liabilities		**(145.7)**		(86.0)		(94.1)
Non-current liabilities						
Interest bearing loans, borrowings and other financial liabilities	**(301.7)**		(116.4)		(125.0)	
Other payables	**(57.4)**		(52.8)		(54.8)	
Government grants	**(1.8)**		(1.9)		(1.8)	
Employee benefits	**(0.9)**		–		–	
Provisions	**(21.8)**		(10.9)		(10.4)	
Deferred tax liabilities	**(14.1)**		(7.1)		(6.9)	
Total non-current liabilities		**(397.7)**		(189.1)		(198.9)
Total liabilities		**(543.4)**		(275.1)		(293.0)
Net assets		**500.2**		190.6		193.9
Equity attributable to equity holders of the Company						
Share capital		**2.6**		1.5		1.5
Share premium		**502.0**		188.1		188.2
Translation reserve		**(4.7)**		1.6		1.7
Hedging reserve		**0.2**		(2.7)		(1.9)
Retained earnings		**0.1**		2.1		4.4
Total equity		**500.2**		190.6		193.9

Condensed Consolidated Interim Statement of Changes in Equity

for the period ended 26 June 2014

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 27 December 2012	1.5	188.1	1.3	(3.5)	1.2	188.6
Profit for the period	–	–	–	–	12.0	12.0
Other comprehensive income						
Items that will not subsequently be reclassified to profit or loss						
Remeasurement of the defined benefit asset	–	–	–	–	0.7	0.7
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	(0.1)	(0.1)
Items that will subsequently be reclassified to profit or loss						
Movement in fair value of cash flow hedges	–	–	–	0.8	–	0.8
Retranslation of foreign currency denominated subsidiaries	–	–	0.3	–	–	0.3
Tax recognised on items that will be reclassified to profit or loss	–	–	–	–	(0.2)	(0.2)
Contributions by and distributions to owners						
Dividends	–	–	–	–	(12.0)	(12.0)
Movements due to share-based compensation	–	–	–	–	0.5	0.5
Balance at 27 June 2013	1.5	188.1	1.6	(2.7)	2.1	190.6
Balance at 27 December 2012	1.5	188.1	1.3	(3.5)	1.2	188.6
Profit for the period	–	–	–	–	21.0	21.0
Other comprehensive income						
Items that will not subsequently be reclassified to profit or loss						
Remeasurement of the defined benefit asset	–	–	–	–	(0.7)	(0.7)
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	0.1	0.1
Items that will subsequently be reclassified to profit or loss						
Movement in fair value of cash flow hedges	–	–	–	1.6	–	1.6
Retranslation of foreign currency denominated subsidiaries	–	–	0.4	–	–	0.4
Tax recognised on items that will be reclassified to profit or loss	–	–	–	–	(0.3)	(0.3)
Contributions by and distributions to owners						
Dividends	–	–	–	–	(18.1)	(18.1)
Movements due to share-based compensation	–	–	–	–	1.2	1.2
Issue of shares	–	0.1	–	–	–	0.1
Balance at 26 December 2013	1.5	188.2	1.7	(1.9)	4.4	193.9

Condensed Consolidated Interim Statement of Changes in Equity
for the period ended 26 June 2014
continued

	Issued capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 26 December 2013	1.5	188.2	1.7	(1.9)	4.4	193.9
Profit for the period	–	–	–	–	11.8	11.8
Amounts reclassified from equity to profit and loss in respect of cash flow hedges	–	–	–	1.9	–	1.9
Other comprehensive income						
Items that will not subsequently be reclassified to profit or loss						
Remeasurement of the defined benefit asset	–	–	–	–	0.3	0.3
Tax recognised on items that will not be reclassified to profit or loss	–	–	–	–	(0.1)	(0.1)
Items that will subsequently be reclassified to profit or loss						
Movement in fair value of cash flow hedges	–	–	–	0.2	–	0.2
Retranslation of foreign currency denominated subsidiaries	–	–	(6.4)	–	–	(6.4)
Tax recognised on items that will be subsequently reclassified to profit or loss	–	–	–	–	–	–
Contributions by and distributions to owners						
Dividends	–	–	–	–	(16.9)	(16.9)
Movements due to share-based compensation	–	–	–	–	0.6	0.6
Issue of shares	1.1	313.8	–	–	–	314.9
Balance at 26 June 2014	**2.6**	**502.0**	**(4.7)**	**0.2**	**0.1**	**500.2**

Condensed Consolidated Statement of Cash Flows

for the period ended 26 June 2014

	26 week period ended 26 June 2014 (unaudited) £m	26 week period ended 27 June 2013 (unaudited) £m	52 week period ended 26 December 2013 (audited) £m
Cash flows from operating activities			
Profit for the period	**11.8**	12.0	21.0
Adjustments for:			
Financial income	**(3.2)**	(0.2)	(0.3)
Financial expense	**6.8**	3.4	6.8
Taxation charge	**2.1**	4.5	9.9
Net change in fair value of cash flow hedges	**1.9**	–	–
Share of loss of equity-accounted investee	**0.2**	0.3	0.1
Operating profit	**19.6**	20.0	37.5
Depreciation and amortisation	**19.9**	12.0	24.0
Impairments and reversals of impairments	**–**	–	2.0
Surplus of pension contributions over current service cost	**(0.8)**	(0.8)	(1.6)
Decrease/(increase) in trade and other receivables	**7.6**	2.4	(0.1)
Decrease/(increase) in inventories	**(0.2)**	0.5	0.3
(Decrease)/increase in trade and other payables	**(13.6)**	(14.5)	2.3
Increase in provisions and employee benefits	**10.2**	0.3	0.9
Cash generated from operations	**42.7**	19.9	65.3
Tax paid	**(4.5)**	(5.4)	(9.7)
Net cash from operating activities	**38.2**	14.5	55.6
Cash flows from investing activities			
Interest received	**0.1**	0.1	0.1
Cash consideration for acquisition of subsidiaries (see Note 11)	**(302.6)**	–	–
Cash and cash equivalents acquired on acquisition of subsidiaries (see Note 11)	**24.1**	–	–
Acquisition of property, plant and equipment	**(19.5)**	(6.0)	(18.9)
Proceeds from sale of property, plant and equipment	**0.8**	–	–
Net cash used in investing activities	**(297.1)**	(5.9)	(18.8)
Cash flows from financing activities			
Proceeds from share issue	**107.2**	–	–
Dividends paid to shareholders	**(16.9)**	–	(18.1)
Interest paid	**(3.6)**	(2.6)	(5.2)
Repayment of bank loans	**(127.7)**	(13.2)	(29.5)
Proceeds from bank loans	**314.0**	–	25.0
Payment of finance lease liabilities	**(0.4)**	(0.4)	(0.9)
Net cash from/(used in) financing activities	**272.6**	(16.2)	(28.7)
Net increase/(decrease) in cash and cash equivalents	**13.7**	(7.6)	8.1
Effect of exchange rate fluctuations on cash held	**(0.3)**	0.1	–
Cash and cash equivalents at start of period	**19.0**	10.9	10.9
Cash and cash equivalents at end of period	**32.4**	3.4	19.0

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 interim condensed consolidated financial statements of the Company as at and for the 26 weeks ended 26 June 2014 comprises 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 26 December 2013 are available upon request from the Company's registered office at Power Road Studios, 114 Power Road, Chiswick W4 5PY.

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 26 December 2013. 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 26 December 2013.

The comparative figures for the financial year ended 26 December 2013 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.

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 26 December 2013.

Notes to the Interim Condensed Consolidated Financial Statements
continued

2. Operating Segments

Determination and Presentation of Operating Segments

The combination with Cinema City has led to the Group Board (the "CODM") realigning its management information. This change has given rise to the inclusion of an additional operating segment, Central and Eastern Europe and Israel ("CEE & Israel" or "Cinema City"). The combination has not affected the information provided to the Board in respect of Cineworld Cinemas or Picturehouse and they continue to be presented on a consistent basis to the prior period. Management have added a UK and Ireland aggregation as it provides the reader with improved understanding of the geographical performance of the Group.

The Group has determined that is has three operating segments: Cineworld Cinemas, Picturehouse and Cinema City.

	Cineworld Cinemas £m	Picturehouse £m	Total UK and Ireland £m	Cinema City (CEE) £m	Total £m
26 weeks to 26 June 2014					
Total revenues	182.5	19.8	202.3	66.3	268.6
EBITDA	30.0	2.5	32.5	13.4	45.9
Segmental operating profit	13.5	0.6	14.1	5.5	19.6
Net finance costs	(4.9)	–	(4.9)	(0.6)	(5.5)
Share of loss of jointly controlled entities using equity method, net of tax	(0.2)	–	(0.2)	–	(0.2)
Profit before taxation	**8.4**	**0.6**	**9.0**	**4.9**	**13.9**
Segmental total assets	**431.8**	**46.0**	**477.8**	**565.8**	**1,043.6**
26 weeks to 27 June 2013					
Total revenues	182.8	18.8	201.6	–	201.6
EBITDA	29.1	2.9	32.0	–	32.0
Segmental operating profit	18.7	1.3	20.0	–	20.0
Net finance costs	(3.1)	(0.1)	(3.2)	–	(3.2)
Share of loss of jointly controlled entities using equity method, net of tax	(0.3)	–	(0.3)	–	(0.3)
Profit before taxation	15.3	1.2	16.5	–	16.5
Segmental total assets	414.9	50.8	465.7	–	465.7
52 weeks to 26 December 2013					
Total revenues	369.5	36.6	406.1	–	406.1
EBITDA	66.9	5.4	72.3	–	72.3
Segmental operating profit	35.7	1.8	37.5	–	37.5
Net finance costs	(6.3)	(0.2)	(6.5)	–	(6.5)
Share of loss of jointly controlled entities using equity method, net of tax	(0.1)	–	(0.1)	–	(0.1)
Profit before taxation	29.3	1.6	30.9	–	30.9
Segmental total assets	438.5	48.4	486.9	–	486.9

3. Taxation

The taxation charge has been calculated by reference to the expected effective corporation tax rates for the 53 week period ending on 1 January 2015 applied against the profit before tax for the 26 week period ended 26 June 2014. Recognised in the income statement:

	26 week period ended 26 June 2014 (unaudited) £m	26 week period ended 27 June 2013 (unaudited) £m	52 week period ended 26 December 2013 (audited) £m
Current year tax expense			
Current period	**2.2**	4.2	9.8
Adjustments in respect of prior periods	**0.1**	–	(1.0)
Total current year tax expense	**2.3**	4.2	8.8
Deferred tax charge			
Current period	**0.9**	0.3	1.1
Adjustments in respect of prior periods	**(1.1)**	–	–
Total deferred tax expense	**(0.2)**	0.3	1.1
Total tax charge in the income statement	**2.1**	4.5	9.9
Effective tax rate	**15.1%**	27.3%	32.0%
Current year effective tax rate	**22.3%**	27.3%	35.2%

The effective tax rate has fallen against prior periods due to the decrease in the UK statutory tax rate and the Group now operating in territories with lower tax rates than the UK.

4. Finance Income and Expense

	26 week period ended 26 June 2014 (unaudited) £m	26 week period ended 27 June 2013 (unaudited) £m	52 week period ended 26 December 2013 (audited) £m
Interest income	**0.1**	0.1	0.1
Defined benefit pension scheme net finance income	**0.1**	0.1	0.2
Net foreign exchange gain	**3.0**	–	–
Financial income	**3.2**	0.2	0.3
Interest expense on bank loans and overdrafts	**4.2**	2.6	5.2
Amortisation of financing costs	**1.1**	0.2	0.4
Unwind of discount on property provisions	**0.7**	0.4	0.8
Other financial costs	**0.8**	0.2	0.4
Financial expense	**6.8**	3.4	6.8
Amounts reclassified from the hedging reserve to profit and loss in respect of cash flow hedges	**1.9**	–	–
Total financial expense	**8.7**	3.4	6.8

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 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 period. The performance of adjusted earnings per share is used to determine awards to Executive Directors under the Group Performance Share Plan ("PSP"). 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 26 June 2014 (unaudited) £m	26 week period ended 27 June 2013[1] (unaudited) £m	52 week period ended 26 December 2013[1] (audited) £m
Profit after tax for the period attributable to ordinary shareholders	**11.8**	12.0	21.0
Adjustments:			
Amortisation of intangible assets[2]	**2.4**	0.8	1.7
Share-based payments	**–**	–	–
Transaction and reorganisation costs	**5.1**	–	8.1
Impairments	**–**	–	2.0
Other non-recurring charges	**1.3**	–	0.7
Exceptional finance charges (Note 7)	**2.6**	–	–
Total adjustments	**11.4**	0.8	12.5
Adjusted earnings	**23.2**	12.8	33.5
Tax effect of above items	**(2.0)**	(0.2)	(2.2)
Adjusted profit after tax	**21.2**	12.6	31.3

	Number of shares m	Number of shares m	Number of shares m
Weighted average number of shares in issue	**228.2**	149.7	149.8
Basic and adjusted earnings per share denominator	**228.2**	149.7	149.8
Dilutive options	**2.6**	2.0	2.1
Diluted earnings per share denominator	**230.8**	151.7	151.9
Shares in issue at period end	**263.8**	149.8	149.9

	Pence	Pence	Pence
Basic earnings per share	**5.2**	8.0	14.0
Diluted earnings per share	**5.1**	7.9	13.8
Adjusted basic earnings per share (rights adjusted)[3]	**9.0**	7.6	18.8
Adjusted diluted earnings per share (rights adjusted)[3]	**8.9**	7.5	18.6

5. Earnings Per Share continued

1 Following the business combination with Cinema City, the Group has taken the opportunity to consider how it presents its adjusted EPS calculation. After a review of comparable UK Premium Listed companies, a decision was made to no-longer add back the charge for share-based payments as it is considered to be an ongoing cost of remunerating staff. Furthermore, given the international nature of the combined Group, it was decided that only the tax impact of non-recurring items should be taken into account rather than applying a single local or effective tax rate. The Adjusted basic and diluted earnings per share for the 2013 interim results were 9.1p and 7.1p as previously stated. Adjusted basic and diluted earnings per share for the 2013 full year results were 22.9p and 22.6p as previously stated. The basic and diluted earnings per share have not been adjusted and are as previously stated.

2 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 Picturehouse acquisition and Cinema City business combination. It does not include amortisation of purchased distribution rights.

3 The interim 2014 adjusted basic and diluted earnings per share have been adjusted for the first 48 days of the period to take into account of the rights issue of 8 for 25 shares on 14 February 2014. The interim 2013 and annual 2013 adjusted basic and diluted earnings per share have also been adjusted to take account of the rights issue in order to present a comparator. The basic and diluted earnings per share have not been adjusted and are as previously stated.

6. Dividends

The Directors have declared an interim dividend of 3.8p per share, amounting to £10.0m, which will be paid on 3 October 2014 to ordinary shareholders on the register at the close of business on 5 September 2014. 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 overdrafts and short-term loans £m	Bank loans £m	Finance leases £m	Interest rate swaps £m	Net debt £m
Balance at 26 December 2013	19.0	–	(122.7)	(6.7)	(1.9)	(112.3)
Acquisition of subsidiary undertakings	24.1	–	–	–	–	24.1
Cash flows	(10.3)	(3.3)	(186.3)	0.4	–	(199.5)
Non-cash movement	–	–	(1.1)	(0.2)	0.2	(1.1)
Effect of movement in foreign exchange rates	(0.4)	0.1	3.0	–	–	2.7
Balance at 26 June 2014	**32.4**	**(3.2)**	**(307.1)**	**(6.5)**	**(1.7)**	**(286.1)**

On the announcement of the combination with Cinema City, the Group refinanced its term loan and revolving credit facility as described in the Finance costs of the Chief Executive Officer's Review.

The impact of this was to repay the total £106.0m term loan and revolving cash facility ("RCF") outstanding at the refinance date, and release the prepaid finance costs of £0.7m and hedging reserve of £1.9m to the profit or loss. In total £2.6m has been recognised in the profit or loss during the first half of 2014 with respect to the debt refinancing.

The term loan drawn down at 26 June 2014 is made up of £165.0m and €132.0m. £41.0m of the RCF has been utilised. Costs of £5.0m directly attributable to the set up of the new facility have been prepaid and will be amortised over the term of the loan, at June 2014 this amounted to a charge of £0.3m to the profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements
continued

7. Analysis of Net Debt continued

Fair Value Hierarchy of Financial Instruments:
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 £m	Level 2 £m	Level 3 £m	Total £m
26 June 2014				
Derivative financial instruments	**–**	**1.7**	**–**	**1.7**
27 June 2013				
Derivative financial instruments	–	2.7	–	2.7
26 December 2013				
Derivative financial instruments	–	1.9	–	1.9

There have been no transfers between levels in 2014 (2013: no transfers). No other financial instruments are held at fair value.

The carrying amount of the Group's financial assets and liabilities are generally the same as their fair value, with the exception of the interest rate swaps which have a fair value liability of £1.7m at 26 June 2014 (27 June 2013: £2.7m liability; 26 December 2013: £1.9m liability).

8. Property, Plant and Equipment

During the 26 weeks to 26 June 2014, the Group acquired assets of £23.3m (26 weeks to 27 June 2013: £9.8m; 52 weeks ended 26 December 2013: £27.8m).

9. Capital Commitments

Capital commitments at the end of the financial period for which no provision has been made were £22.1m (27 June 2013: £8.0m and 26 December 2013: £10.3m, relating primarily to new cinema sites). Capital commitments at 26 June 2014 related primarily to new sites (£2.2m), cinema equipment and leasehold improvements (£12.8m) and distribution rights (£7.1m).

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 26 June 2014 was £1.8m (26 weeks to 27 June 2013 was £0.7m; 52 weeks ended 26 December 2013: £1,7m).

At 26 June 2014 the balance owed to Directors was £0.3m (27 June 2013: £nil; 26 December 2013: £nil).

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 26 June 2014 was £6.7m (26 weeks ended 27 June 2013 totalled £5.7m and 52 weeks to 26 December 2013: £14.2m) and as at 26 June 2014 £nil was due from DCM in respect of trade receivables (27 June 2013: £1.8m; 26 December 2013 £nil). In addition the Group has a working capital loan outstanding from DCM of £0.5m (52 weeks to 26 December 2013 £0.5m).

10. Related Party Transactions continued

Global City Holdings N.V. (formerly Cinema City International N.V. and its subsidiary companies ("Global City Group") are considered to be related parties of the Cineworld Group as Global City Group own 26.1% of the Cineworld Group and Mooky Greidinger and Israel Greidinger are directors of both groups. As part of its business the Global City Group leases commercial properties to various Cineworld Group companies. Rent payable on these properties from 28 February 2014 to 26 June 2014 totalled £2.1m (27 June 2013: £nil; 26 December 2013: £nil).At June 2014 the balance owing to the Global City Group was £0.4m (27 June 2013: £nil; 26 December 2013: £nil), and the balance receivable from the Global City Group was £1.0m (27 June 2013: £nil; 26 December 2013: £nil).

11. Business Combinations

On 10 January 2014, Cineworld Group plc (the "Group") announced the combination with the cinema business of Cinema City International N.V. ("CCI"), by means of an acquisition of 100% of the shares, including all voting rights, in Cinema City Holding N.V. ("CCH"), a subsidiary of CCI. Management believe that the business combination will drive growth in the business and enhance shareholder value by: providing the enlarged Group's business with a platform further European expansion; giving the enlarged Group significant scope to drive additional benefits from its combined operations through operational improvements and the sharing of best practice across the Cineworld and Cinema City businesses; and delivering an attractive return on invested capital, being earnings accretive allowing the enlarged Group to maintain the existing Cineworld dividend policy.

Consideration Transferred

At the date of announcement, the headline consideration for the combination equated to £503m in cash and shares and €14.5m for the settlement of CCH bank debt. The combination was completed on 28 February 2014, at which point adjustments for certain provisions of the purchase agreement resulted in a fair value of consideration transferred of £510.6m.

Consideration for the transaction was settled with a mix of cash and shares. Final cash consideration of £302.6m was part funded by an 8 for 25 Rights Issue which completed on 14 February 2014, raising net funds of £107.2m with the residual cash consideration being funded within the Group's new debt facility. The Group issued to CCI shares in Cineworld Group plc which were valued at £208.0m when the combination completed on 28 February 2014. The consideration shares represented 24.9% of the post-rights issue share capital of the Group.

Fair Value of Consideration Transferred

	£m
Cash consideration	302.6
Share consideration	208.0
Total fair value of consideration transferred	510.6

The fair value of the 65.6m ordinary shares issued to CCI as part of the consideration was based on the published share price of 317p at the close of business on 27 February 2014.

Notes to the Interim Condensed Consolidated Financial Statements
continued

11. Business Combinations continued

Identifiable Assets Acquired and Liabilities Assumed

Provisional Fair Value of Total Net Identifiable Assets Upon Acquisition

	£m
Intangible assets	53.0
Property, plant and equipment	132.4
Deferred tax assets	4.1
Inventory	3.5
Trade and other receivables	23.1
Cash and cash equivalents	24.1
Provisions in respect of property and leases	(11.5)
Other long-term liabilities	(1.7)
Deferred tax liabilities	(7.3)
Trade and other payables	(44.7)
Total net identifiable assets	175.0
Goodwill	335.6
	510.6

Management are in the final stages of valuing the fair value of the acquired identifiable intangible assets and acquired property, plant and equipment and as a result their respective fair values are measured on a provisional basis. Any subsequent change in valuation of the intangible assets or property, plant and equipment will result in a reallocation between the assets and goodwill. As at 26 June 2014, a number of adjustments have been made to the book values of the acquired assets in order to reflect their fair value. The material adjustments are summarised below.

Property and Leases

The provisional fair value of property, plant and equipment of £132.4m includes a number of adjustments. Old cinema equipment and assets from other non-trading sites which were previously held at their residual value of £10.8m have been fully depreciated as the residual value is not expected to be realised. Assets with a net book value of £7.1m at the date of acquisition have been provided for due to the fact that they relate to loss-making cinemas. A further £10.7m fair value write down has been recognised where the site-specific forecast cash flows (discounted by applying a country specific weighted average cost of capital) did not support the net book value of the sites' assets at the date of acquisition. Management will finalise the fair value adjustments by the year end to reflect any further information which may arise in respect of the balances as at the acquisition date.

As well as considering the fair value of acquired property, plant and equipment, management have also considered the lease contract for each of the cinemas. A provision of £3.6m has been made in respect of onerous lease contracts. The provision reflects the present value of the future lease payments under these contracts at the date of acquisition to the extent that the contract results in the site becoming loss making. A small number of leases were identified with future contractual fixed increases in rent. A provision of £1.3m has been recognised in respect of these contractual increases in line with IAS 17's: "Leases" requirement to recognise the future minimum payments on a straight-line basis over the life of the lease. An initial exercise was conducted to compare the current rentals of each of the sites to the current assumed average market rental rate. Accordingly, a net provision of £6.6m 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. The provisions in respect of the lease agreements have been recognised on a provisional basis. An asset in respect of future deductions against rent payments in Poland of £2.4m has been written-down, as its recovery is doubtful.

11. Business Combinations continued

Tax

The acquired deferred tax asset of £4.1m is stated after a fair value reduction £1.1m of deferred tax assets which are not expected to be recoverable following the acquisition, and included additional deferred tax assets of £4.7m resulting from temporary tax differences arising on the fair value adjustments made to acquired assets and liabilities. The deferred tax liabilities of £7.3m also includes £5.4m in respect of temporary tax differences arising on the fair value adjustments made to acquired assets and liabilities.

Included within trade and other payables is an income tax liability of £3.2m recognised on acquisition. The liability reflects expected future tax charges in respect tax positions open at the date of acquisition.

Other Fair Value Adjustments

Other fair value adjustments include a £3.1m accelerated amortisation of film distribution rights and intellectual property where full recovery is considered doubtful.

Prepaid debt arrangement fees in respect of Cinema City's old financing totalling £4.9m were released following the extinguishment of the loans at the date of acquisition.

A provision of £4.7m has been recognised in respect of open litigation and termination payments to employees for which obligations were in place at the date of acquisition.

Trade receivables comprise gross contractual amounts due of £10.4m, of which £10.2m are expected to be collectable at the acquisition date and the fair value of the trade receivables recognised reflects this position.

Identifiable Intangible Assets

Acquired identifiable intangible assets include £24.4m in respect of brands, £10.3m relating to distribution relationships and £11.4m in respect of advertising relationships.

Management consider the residual goodwill of £335.6m to represent a number of factors including the skills and industry knowledge of Cinema City's management and workforce, synergies expected to be realised post acquisition and the future value expected to be generated by the Group from Cinema City's pipeline of new sites and entry into new territories. None of the goodwill is expected to be deductible for income tax purposes.

The revenue included in the consolidated statement of profit or loss since 28 February 2014 contributed by Cinema City was £66.3m. Cinema City also contributed £5.0m profit before tax over the same period. Had Cinema City been consolidated from 27 December 2014 (the commencement of the current financial period), the consolidated statement of profit or loss would show revenue of £316.1m and profit before tax of £24.5m.

Acquisition related costs of £4.4m have been charged to administrative expenses in the consolidated statement of profit or loss for the period ended 26 June 2014. In addition, acquisition costs of £6.1m in respect of the transaction were charged to administrative expenses in income statement for the year ended 26 December 2013.

Following the business combination, Global City Holdings N.V (formally Cinema City International N.V) and its subsidiary companies ("Global City Group") are considered to be related parties of the Cineworld Group as Mooky Greidinger and Israel Greidinger are directors of both groups. Transactions with related parties have been disclosed in Note 10.

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 half-yearly financial report for the six months ended 26 June 2014 which comprises the Condensed Consolidated statement of Profit or Loss and Other 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 half-yearly 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 Conduct Authority (the "UK FCA"). 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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 half-yearly 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 half-yearly 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 half-yearly financial report for the six months ended 26 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mark Summerfield
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

14 August 2014

Risks and Uncertainties

A summary of the key business specific risks and uncertainties is set out below. A more detailed description of the principal business specific risks and uncertainties existing as at 26 December 2013 and also some factors and actions taken by the Group which mitigate them were set out on pages 20 to 23 of the Group's Annual Report for 2013, a copy of which is available from Cineworld's website www.cineworldplc.com. Despite prevailing circumstances in the countries in which the Group operates, the risks and uncertainties are not expected to change materially in the remainder of the year.

Availability and Performance of Film Content

Cinema-going is driven primarily by output from Hollywood, which is dominated by six film studios. There is a risk that the Group may not be able to obtain licences for certain films from the film studios. There is also a risk that these studios may not reach agreement on film hire terms with the Group, or may seek to negotiate film hire terms less favourable to the Group.

During periods where there are fewer or no major films to drive cinema attendance, the Group's box office revenues may decline. There is a further risk that a major film may be released late or may not perform at the box office in line with expectations.

Release Window, Alternative Media and Advancement of Technology

Film studios may seek to reduce or eliminate the release window (the period between the film being released at the cinema and the film being released through other distribution channels), which could lead to increased competition from alternative film delivery methods such as streaming, DVD, cable and pay television and the internet. This increased competition could reduce cinema admissions and adversely impact box office sales.

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

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.

Revenue from Retail Sales

Retail sales form a significant part of the Group's revenue. Retail sales generally fluctuate in line with admissions, 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.

Film Piracy

Film piracy (aided by technological advances) has long-term implications for the business and industry as it may decrease cinema admissions, reduce ticket prices and even eventually force film studios to invest less in films resulting in the release of fewer films and lower quality films with less commercial appeal and/or an increase in the use of other channels for releasing films.

Competition

Competition among cinema providers exists in acquiring cinema sites, acquiring existing cinemas, attracting customers and licensing films.

Existing competitors could also change their strategies, invest in new technologies 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. This competition could increase as a result of reduction in consumer confidence or in levels of disposable income in general or, over the longer term, the ageing of the UK population. Cinemas also face competition from major events such as the Olympics, which may impact attendance levels for their duration.

Risks and Uncertainties
continued

Availability of New Locations, Poor Location Selection and Construction of Cinemas

The Group's strategy includes expanding operations through new openings and the acquisition of existing cinemas. The availability of attractive locations for new openings and the acquisition of existing cinemas are subject to local conditions (such as availability of space or increase in demand for real estate, demographic changes and changes in planning laws) and competition.

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

Screen Advertising Revenue

Screen advertising accounts for a proportion of the Group's profits and the level of revenues earned will be affected by the overall demand for advertising and the competitive pressures for that advertising spend. In addition, lower levels of admissions may impact the level of advertising which the business can attract resulting in reduced screen advertising revenues.

Extreme Weather Conditions

Unusual weather patterns such as unseasonably warm summers or extreme snowfalls in winter can impact attendances at cinemas and, particularly where this coincides with a major film release could have a significant effect on revenues.

The 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.

Government Regulations and Actions

The Group's business and operations are affected by 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. Failure to comply with this type of legislation may result in fines and/or suspension of the activity or entire business operation. In addition, changes to pension legislation such as automatic enrolment and regulation relating to the Group's defined benefit schemes, could result in additional costs from funding pension obligations or from changes in the way pension schemes are administered

Digital Conversion Cost Recovery

All of the Group's cinemas have been converted to digital projection. Film studios helped to finance this conversion and the Group expects to recover most of these costs. There is a risk that the costs may not be recovered.

Failure of IT Systems or Data Controls

The failure of the Group's IT systems or data controls, whether because of cyber-attack or otherwise, could impact the profitability and reputation of the Group.

Any breach of Data Protection rules or breach in security measures surrounding the storage of confidential or proprietary information held by the Group could result in access, loss or disclosure of this information leading to legal claims, regulatory penalties, disruption of operations of the Group and damage to reputation. Changes in privacy laws could adversely affect the ability of the Group to market products effectively.

Availability of Capital

The cost and availability of finance may affect the Group's ability to expand. Limited availability of capital has impacted property developers who have not been able to proceed with developments which would have included new cinemas.

Reduced lending may also affect the financing of film productions which could reduce the supply of films and/or delay their production and releases in cinemas.

Pressures from Lobbying and Social Media

Lobbying groups and people using social media have the ability to influence public opinion in ways which may be detrimental to the Group affecting brand perception and potentially causing a decline in admissions.

Acquisitions	There is a risk that due diligence undertaken during an acquisition process fails to accurately identify ongoing profitability and other issues that may seriously affect the valuation of a business. In addition, costs and expenses in connection with any acquisition may be more than anticipated. After completion, an acquired business may not perform as expected, integration may be problematic or anticipated benefits or synergies may not be realised. There is an additional concern that the Group may not be able to integrate culturally. There is considerable execution risk around the merger of Cineworld and Cinema City. Specifically there are two particular risks associated with the combination; the first being the integration of the finance systems and related processes and controls, and the second the fact that the Group following the combination is operating outside of the UK for the first time, having roughly 40% of its operations in six Eastern European countries and Israel.
Exclusive Distribution Relationships	The Group has exclusive distribution relationships with certain film studios in some Central and Eastern European ("CEE") countries and Israel. There is a risk that the Group may not be able to retain these exclusive relationships or that the film studios otherwise seek to negotiate distribution terms less favourable to the Group.
Doing Business in Countries in Emerging Markets	A significant part of the Group's revenue will be attributable to operations in CEE and, additionally, the Group may look to expand into countries in South-Eastern Europe. Political, economic and legal systems in emerging market economies can be unpredictable and the risks of doing business in those markets can be high.
Doing Business in Israel	Israel is one of the Group's countries of operation, which will subject the Group to risks relating to the political and military situation in that country.
Terrorism and Civil Unrest	Cinema businesses could be affected by civil unrest or terrorist acts which could cause the public to avoid cinemas. This could be due to incidents in the locations in which the Group operates or in other areas that increase general unease in the locations in which it operates. The Group may additionally be subject to an increased risk of boycott, targeted civil unrest or terrorist action as a result of operating in and being linked to certain countries. This could adversely impact the results of operations and financial condition of the Group.

Responsibility Statement of the Directors in Respect of the Interim Report

The Directors confirm that to the best of their 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 on the Cineworld Group plc website (www.cineworldplc.com).

By order of the Board

Moshe Greidinger
Director

Philip Bowcock
Director

14 August 2014

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