Cineworld Group plc

2014 Preliminary Results

12th March 2015

Introduction

Cineworld
Group plc

- Financials
  - Philip Bowcock – CFO
- Integration and Synergies
  - Israel Greidinger - Deputy CEO
- Business Update
  - Mooky Greidinger - CEO

Financial Review

Financial Highlights

Cineworld Group plc

- Combination with Cinema City completed 28 February 2014
- Revenue growth of 1.8% in UK & Ireland and 1.4% in CEE[1] and Israel on a pro forma[2] basis
- EBITDA[3] growth of 7.4% on a pro forma basis
- Strong cash generation – net debt £281.9m
- Adjusted EPS up 31.2%; total dividend increased by 33.7% to 13.5p on a rights adjusted basis[4]
- Initial annualised synergy target of £2m achieved, revised target of £5m

1. CEE is defined as Central and Eastern Europe and includes Poland, Hungary, Romania, Czech Republic, Bulgaria and Slovakia
2. Pro forma results refer to the Group's performance had Cinema City been consolidated for the entirety of the period and the impact of the 53rd week eliminated. Where percentage movements are given, these reflect performance on a constant currency basis.
3. EBITDA is defined as operating profit before depreciation and amortisation, impairment charges, adjustments to goodwill, onerous leases and other non- recurring charges, transaction and reorganisation costs and profit on disposal of cinema sites
4. The 2013 dividend per share has been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014

Key Financial Indicators

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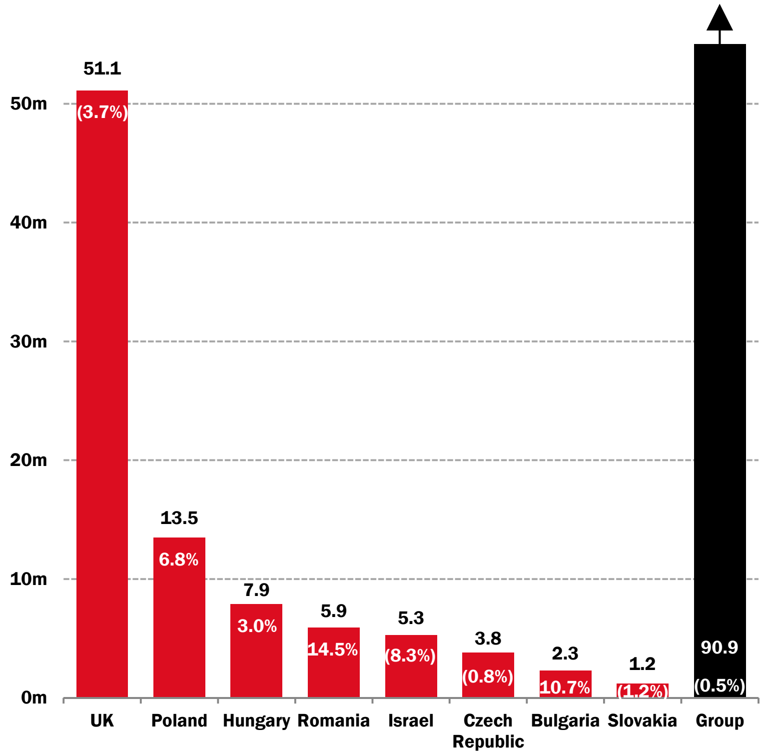
	UK & Ireland 53 weeks	CEE & Israel 44 weeks	Group FY 2014	Group FY 2013
Admissions	51.1m	31.8m	82.9m	51.5m
Box office	£288.7m	£110.5m	£399.2m	£279.9m
Retail	£99.2m	42.7m	£141.9m	£94.1m
Other	£37.4m	£40.9m	£78.3m	£32.1m
Total revenue	**£425.3m**	**£194.1m**	**£619.4m**	**£406.1m**
EBITDA	£78.7m	£47.9m	£126.6m	£72.3m
Adjusted profit after tax			£61.2m	£31.3m
Adjusted diluted EPS			24.4p	18.6p[1]
Dividend per share			13.5p	10.1p[2]

1. The 2013 earnings per share has been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014
2. The 2013 dividend per share has been adjusted to take account of the rights issue of 8 for 25 shares on 14 February 2014

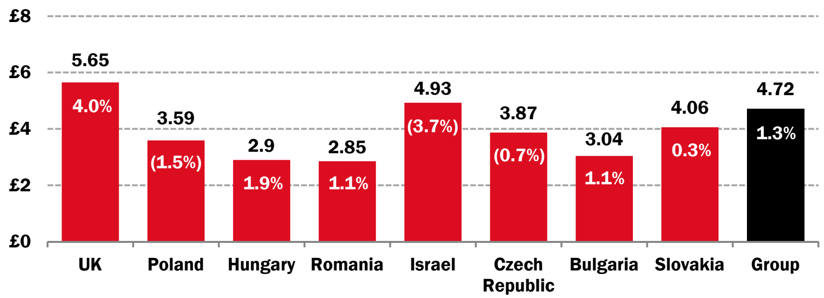
Box Office and Retail Performance[1]

Cineworld Group plc

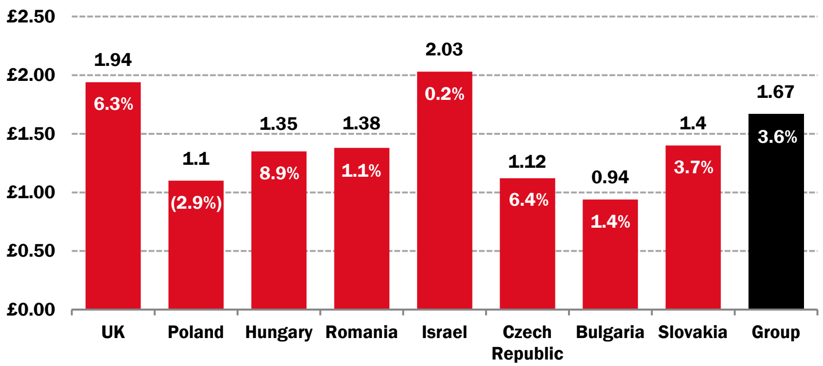
Box Office Admissions



Average Ticket Price



Retail Spend Per Person



1. Information in respect of Cinema City has been presented on a pro forma basis with admissions, average ticket price and spend per person reflecting the 53 week period from 27 December 2013 to 1 January 2015. % year on year performance indicators have been prepared on 52 v 52 week and constant currency basis.

Other Income

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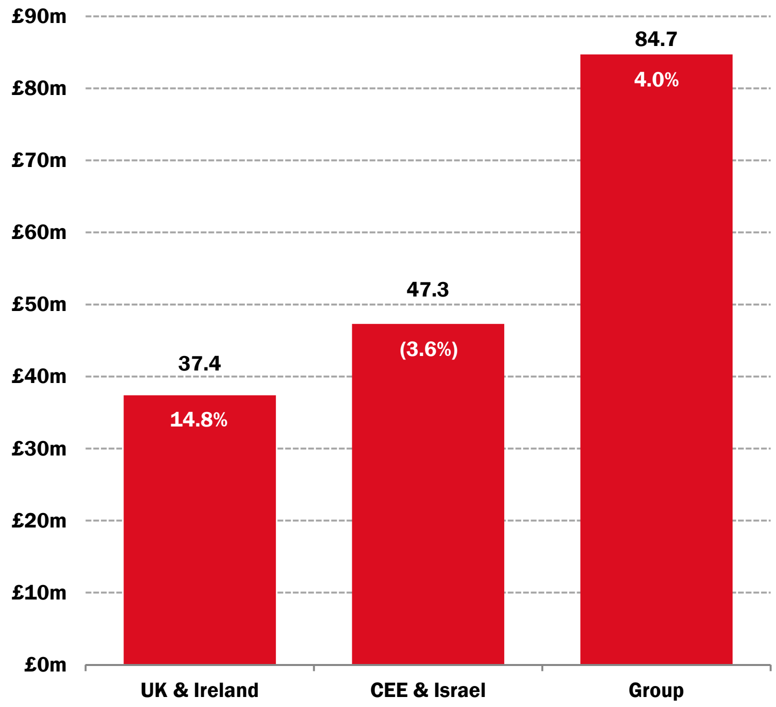
- Other income includes advertising, distribution, screen hires and sponsorship etc.
- Overall, other income has increased by 4.0% on a pro forma basis[1]
- Excluding distribution, other income has increased by 8.3% on a pro forma basis
  - Phasing of distribution income different to prior year
  - Positive advertising performance
    - +3.8% in UK and Ireland
    - +6.7% in CEE and Israel

digital cinema media

new age media
MULTIPLEX ADVERTISING

Other Income



1. Information in respect of Cinema City has been presented on a pro forma basis with Other Income reflecting the 53 week period from 27 December 2013 to 1 January 2015. % year on year performance indicators have been prepared on a constant currency basis.

Pro Forma Performance

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	UK & Ireland		CEE & Israel		Group	
	FY 2014	% PY	FY 2014[1]	% PY	FY 2014	% PY
Admissions	51.1m	-3.7%	39.8m	+4.0%	90.9m	-0.5%
Box office	£288.7m	+0.1%	£140.5m	+2.0%	£429.2m	+0.7%
Retail	£99.2m	+2.3%	£52.3m	+4.8%	£151.5m	+3.1%
Other	£37.4m	+14.8%	£47.3m	-3.6%	£84.7m	+4.0%
Total revenue	£425.3m	+1.8%	£240.1m	+1.4%	£665.4m	+1.7%
EBITDA	£78.7m	+3.0%	£58.7m	+13.8%	£137.4m	+7.4%
EBITDA Margin	18.5%	+0.7ppt	24.4%	+2.7ppt	20.6%	+1.4ppt

1. Information in respect of Cinema City has been presented on a pro forma basis with admissions, revenue and EBITDA reflecting the 53 week period from 27 December 2013 to 1 January 2015. % year on year performance indicators have been prepared on 52 v 52 week and constant currency basis.

Statutory Group Income Statement

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£m	Adjusted[1] FY 2014	Group FY 2014	Group FY 2013
Revenue	619.4	619.4	401.6
Gross profit	180.5	180.5	112.8
EBITDA	126.6	126.6	72.3
Depreciation and amortisation	(41.2)	(46.6)	(24.0)
Exceptional costs	-	(4.0)	(10.8)
Foreign exchange losses[2]	1.7	-	-
Operating profit	87.1	76.0	37.5
Finance income and expense[3]	(12.0)	(8.6)	(6.5)
Share of JV losses	(0.1)	(0.1)	(0.1)
Profit before tax	75.0	67.3	30.9
Tax	(13.8)	(12.8)	(9.9)
Profit after tax	**61.2**	**54.5**	**21.0**
Diluted earnings EPS		21.9	13.8
Adjusted diluted EPS	24.6	24.6	18.6

- Includes depreciation of £37.3m, of which £23.3m relates to the UK and £14.0m relates to CEE & Israel
- Of the £9.3m amortisation, £5.4m is acquisition accounting related and £3.9m is the amortisation of acquired movie rights

- The £4.0m net exceptional costs includes the following cash items:
  - Transaction costs of £5.5m
  - Reorganisation costs of £1.4m
- The £2.9m non-cash credit relates to movements in onerous lease provisions and the reversal of impairments

- Net finance costs of £8.6m includes £10.2m of underlying cash interest on bank loans net of £1.6m other non-cash finance charges and income

1. Adjusted information presented to demonstrate the basis of the adjusted diluted EPS calculation.
2. Foreign exchange losses relates to translation losses recognised in EBITDA.
3. Adjusted finance income and expense presented after eliminated the £6.0m forex gain on the translation of the Euro term loan and £2.6m of exceptional finance costs.

Cash Flow and Net Debt

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£m	Cash	Debt	Other	Net debt
Opening position at 27 December 2013	**19.0**	**(122.7)**	**(8.6)**	**(112.3)**
Operating profit	76.0	-	-	76.0
Depreciation & Amortisation	46.6			46.6
Working Capital & Non-cash movements	(24.4)	-	-	(24.4)
Tax paid	(12.1)	-	-	(12.1)
Net cash generated from operations	86.1	-	-	86.1
Net interest paid	(10.2)	-	-	(10.2)
Proceeds from rights issue	107.4	-	-	107.4
Repayment of bank loans	(202.2)	202.2	-	-
Proceeds from bank loans	392.9	(392.9)	-	-
Acquisition of Cinema City	(278.5)	-	(0.7)	(279.2)
Capital related items	(48.1)	-	-	(48.1)
Dividends paid	(26.9)	-	-	(26.9)
Other items & non-cash movements	-	(1.8)	(0.8)	(2.6)
Foreign exchange	(2.1)	6.0	-	3.9
Closing position at 1 January 2015	**37.4**	**(309.2)**	**(10.1)**	**(281.9)**

- £11.2m adverse working capital movement due to timing of payments at the year end
- £8.1m release in provisions – primarily property related
- £5.1m in other movements

- Total cash consideration paid was £302.6m. Cash in acquisition balance sheet totalled £24.1m with finance leases of £0.7m, giving a net cash outflow on acquisition of £279.2m

- Non-cash movements relate to accrued interest on bank debt and finance leases (£1.8m) and the movement on interest rate swaps (£0.8m)

Financial Outlook

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- Performance so far this year in line with expectations
- Guidance for 2015
  - Synergy saving c£3.5m
  - Interest – cash cost c£13m
  - Tax – broadly in line
  - Capital Expenditure - c£80m

Integration and Synergies

Strategic Rationale

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- Combination of two well run businesses
  - Growth opportunities in underdeveloped countries – screens and admissions
  - Portfolio effect – multiple countries and strength of local product
  - Synergies – cost and revenue

Evolution from single market to multi country operator supported by efficient group structures

Integration

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- Cineworld and Cinema City both have efficient and well run Cinema operations
- Senior Management team in place; UK and ROW executive teams.
- Review of central functions undertaken in Q3
  - Group Headquarters in London
  - Back Office primarily performed in Poland
- Detailed integration plan developed and implementation underway
- Focus on cost effective support functions
- Ensuring efficient ways of working

Synergies

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- Centralising UK and Polish back office functions into Poland – combination of high skill levels at lower cost
    - IT support and development
    - Customer services centres outsourced into one location
    - Further consolidation to be considered
  - Renegotiation of commercial contracts
  - Head Office rationalisation
- At least £2m on an annualised basis achieved in the first year since the combination
- Annualised synergy target of £5m

Why Poland?

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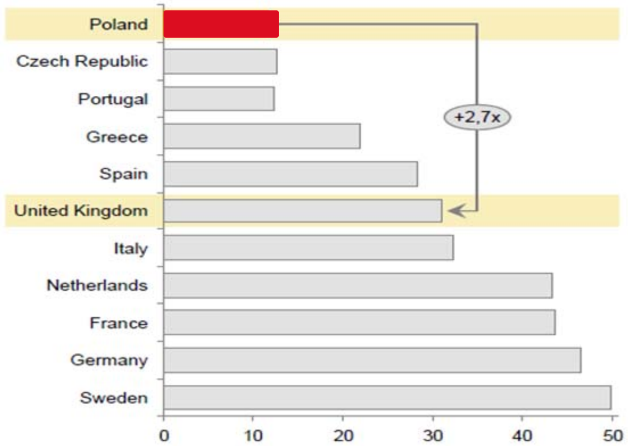
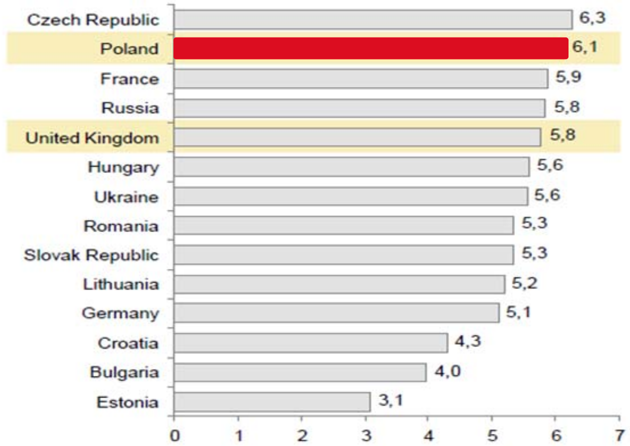
Poland is a destination for the shared services centers of many large international companies as well as an outsourcing destination for internal restructuring processes.

Poland combines high skilled labor availability and lower labor costs when compared with other European countries

Labour cost per hour



Skilled labour availability score



Source: PwC research

New Cineworld Contact Centre

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Prior consolidation	Post consolidation
1 **Chiswick** (insourced) escalations, complaints, general enquiries and refunds via calls, emails and letters	New outsourced contact center in **Warsaw**, Poland to handle all 3 services.
2 **Wolverhampton** (outsourced to Worldline) all Unlimited queries	Single point of contact to improve customer experience
3 **Hull** (outsourced to Netcall) ticket sales (Movieline automated IVR and operators)	Full implementation to be completed by the end of May 2015.

New IT based in Poland –
Service, Systems, Software

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New IT structure has been established and started operations in Q1 2015
Resulted in material reduction in UK IT manpower

Updated design&technology, additional functionalities, faster time to market, higher integration, lower costs

IT Operations

- Responsible for the day to day support of all IT in both cinemas and offices, performing a Tier 1 support function.

IT Systems

- Responsible for all IT Technology and Infrastructure,
- Escalation point for IT Operations.

IT Development

- Own in-house team to develop one solution for all functions:
  - Web
  - Mobile
  - Unlimited
  - MyCineworld

Plans for 2015

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- Model provides scale for £5m of savings
  - Centralising of additional transactional services in Poland
  - Implementation of the new IT structure to continue
- Integration of Picturehouse
- Opportunity for revenue synergies – Starbucks, Unlimited

Picturehouse

Business Update

2014 Overview

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- Outperformed the global cinema industry
- UK
  - Unlimited programme mitigated underperformance of Hollywood
  - Successful introduction of allocated seating
  - Focus on costs
  - Refurbishments
- Central Eastern Europe & Israel
  - Local product performed well
  - Markets showed admission growth opportunity – Romania/Bulgaria
  - Refurbishments

2015 Operational and Strategic Priorities

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- Optimising 2015 film slate – both current and new customers
- Continuing integration
- Development of our retail offering
- Continuing roll out of new technologies
- Refurbishments across the estate
- Delivery of our pipeline of new sites
  - 19 out of 20 openings scheduled for 2015 under construction

Maintain focus on enhancing the customer experience

Customer Experience

- Maintaining the cinema as a destination is a core part of the strategy. Innovations are a key part of this and include :
  - IMAX
    - Proven format. Exclusivity in Israel and Eastern Europe, leading position in UK
  - 4DX
    - The enriched sensory experience, 4 auditoria in Eastern Europe and Israel, with Milton Keynes this year and more to come
  - Starbucks
    - Successful introduction in 12 cinemas in UK with more to follow
    - Coffee options for Eastern Europe are being evaluated

Milton Keynes Refurbishment

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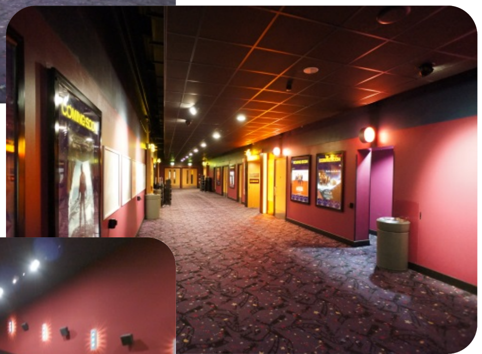
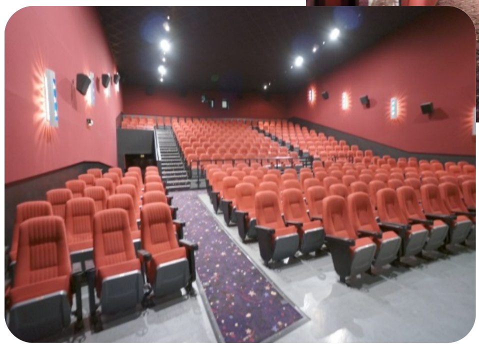
Before





- 16 screens including
  - 1 Superscreen
  - 4DX
- Starbucks
- LED Wall Displays
- Upgraded retail offering

After

Letnany (Czech Republic) Refurbishment

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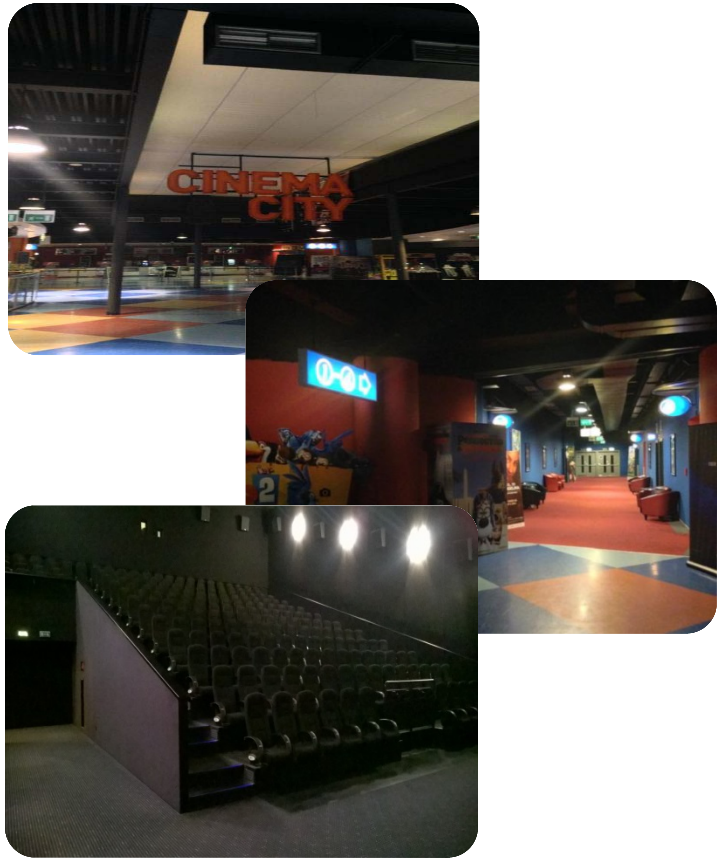
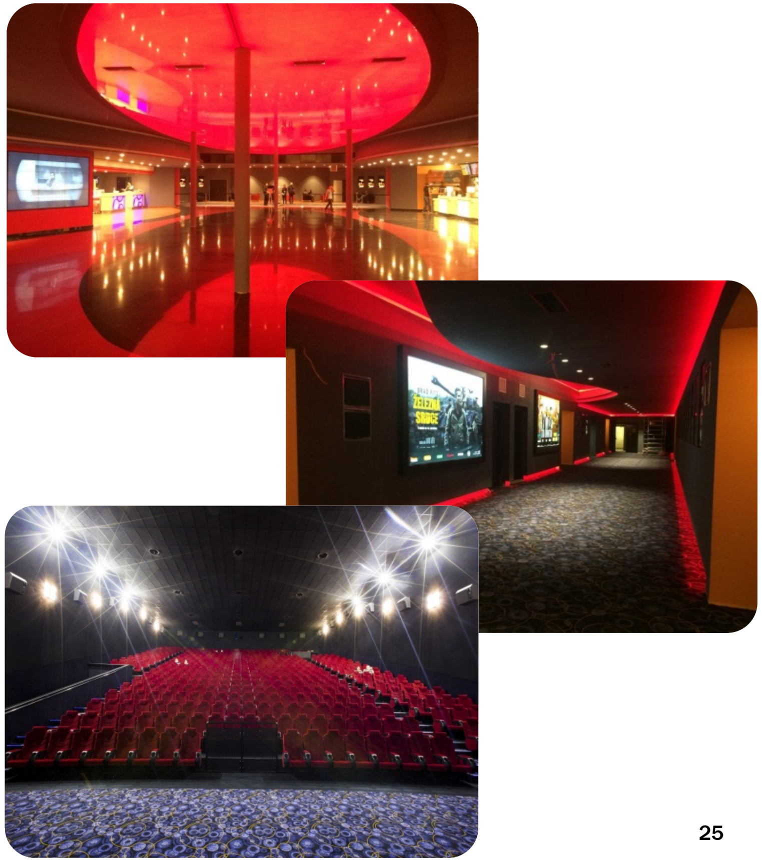
Before



- Complete refurbishment of cinema
- 12 screens in total
- 4 “mothballed” screens to be opened
- Retail centre completely refurbished by Landlord

After



Site Pipeline

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- There continue to be opportunities across the Group
  - UK
    - Few “new territories” left
    - Primarily replacement of first generation multiplex
    - Increasing customer offering – IMAX, 4DX, VIP and Starbucks
    - Medium term run rate c3-5 cinemas per annum
  - Central & Eastern Europe and Israel
    - Continuing opportunities in both cities/towns without multiplex or under penetrated markets
    - All leisure/retail developers require cinema presence
    - Position as No1/No2 in all countries is beneficial
    - Romania/Poland are where we are seeing most opportunity currently
    - Medium term run rate c8 cinemas per annum

2015 –Key Titles

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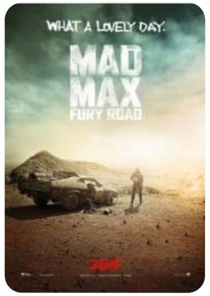
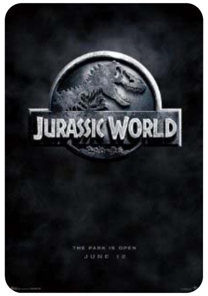


Mad Max Fury Road

The Hateful Eight



Jurassic World

50 Shades of Grey

Avengers Age of Ultron

Minions

Spectre 007

Fast & Furious 7

Ted 2

Mission Impossible 5

Star Wars Episode VII

Hunger Games

2016 – Key Titles

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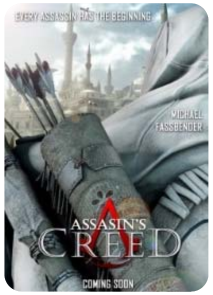
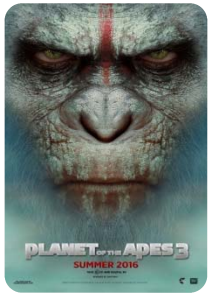
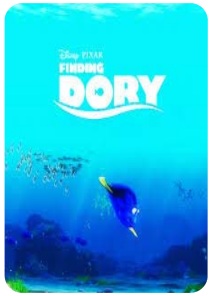
Batman v Superman



Assassin's Creed



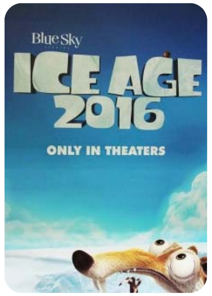
Planet of the Apes 3



Finding Dory

The BFG

Fantastic Beasts



Ice Age 5

Star Wars Prequel (Boba Fett)

How To Train Your Dragon 3

Independence Day 2

Deadpool

Q & A

Appendix

Box Office and Retail Performance[1]

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	Admissions		Average Ticket Price		Spend Per Person	
	2014	% PY	2014	% PY	2014	% PY
UK	51.1m	-3.7%	£5.65	+4.0%	£1.94	+6.3%
Poland	13.5m	+6.8%	£3.59	-1.5%	£1.10	-2.9%
Hungary	7.9m	+3.0%	£2.90	+1.9%	£1.35	+8.9%
Romania	5.9m	+14.5%	£2.85	+1.1%	£1.38	+1.1%
Israel	5.3m	-8.3%	£4.93	-3.7%	£2.03	+0.2%
Czech Republic	3.8m	-0.8%	£3.87	-0.7%	£1.12	+6.4%
Bulgaria	2.3m	10.7%	£3.04	+1.1%	£0.94	+1.4%
Slovakia	1.2m	-1.2%	£4.06	+0.3%	£1.40	+3.7%
Group	**90.9m**	**-0.5%**	**£4.72**	**+1.3%**	**£1.67**	**+3.6%**

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New Site Pipeline

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	2015		2016		2017		2018+	
	Sites	Screens	Sites	Screens	Sites	Screens	Sites	Screens
UK (including Picturehouse)	10	81	9	59	4	32	3	23
Poland	2	14	5	61	-	-	1	9
Romania	5	46	2	28	12	116	7	67
Israel	3	45	-	-	-	-	-	-
Czech	-	-	-	-	1	18	-	-
Hungary	-	-	-	-	-	-	-	-
Bulgaria	-	-	-	-	-	-	1	12
Total	20	190	16	148	17	166	12	111
Open / Under construction	19	176						

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