**THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (FSMA) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

This document, which comprises: (i) a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document; and (ii) a prospectus relating to the Ordinary Shares prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the **FCA**) made under section 73A of FSMA, has been approved by the FCA in accordance with section 87A of FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Subject to the restrictions set out below, if you sell or transfer or have sold or transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 a.m. on 5 February 2018 (the **Ex-Rights Date**), please send this document, together with the accompanying Form of Proxy and any Provisional Allotment Letter (duly renounced), if and when received, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. None of these documents should, however, be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to (subject to certain exceptions) the United States and any of the other Excluded Territories. Please refer to Sections 9 and 10 of Part II (*Details of the Rights Issue*) of this document if you propose to send this document and/or the Provisional Allotment Letter outside the United Kingdom. If you sell or have sold or transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, please contact the stockbroker, bank or other agent through whom the sale or transfer was effected immediately. Instructions regarding split applications are set out in Part II (*Details of the Rights Issue*) of this document and in the Provisional Allotment Letter.

**The distribution of this document, any other offering or public material relating to the Rights Issue and/or the Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares through CREST or otherwise into a jurisdiction other than the United Kingdom may be restricted by law and therefore persons into whose possession this document (and/or any accompanying documents) comes should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, this document and the Provisional Allotment Letter should not be distributed, forwarded to or transmitted in or into the United States or any of the other Excluded Territories or into any other jurisdiction where to do so might constitute a breach of any applicable law. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. The Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the Securities Act), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.**

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cineworld

# CINEWORLD GROUP PLC

*(incorporated and registered in England and Wales with registered number 05212407)*

## Proposed Acquisition of Regal Entertainment Group

## Proposed 4 for 1 Rights Issue of up to 1,095,662,872 New Ordinary Shares at 157 pence per New Ordinary Share to raise approximately £1,720,190,709

## Re-admission of Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities

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## Notice of General Meeting

**This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out in Part I (*Letter from the Chairman*) of this document and which contains a recommendation from your Board that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. The section of this document entitled "*Risk Factors*" includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this document.**

**A Notice of General Meeting of the Company, to be held at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 9.30 a.m. on 2 February 2018, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, by not later than 9.30 a.m. on 31 January 2018 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You may also submit your proxy electronically at www.signalshares.com using your Investor Code found on the Form of Proxy. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 9.30 a.m. on 31 January 2018 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, should you so wish.**

The Existing Ordinary Shares are listed on the premium listing segment of the Official List of the UKLA and traded on the London Stock Exchange's main market for listed securities. Applications will be made for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UKLA and trading on the London Stock Exchange's main market for listed securities (together, **Admission**). It is expected that Admission of the New Ordinary Shares (nil paid) will become effective, and that dealings in the New Ordinary Shares (nil paid) on the London Stock Exchange will commence, at 8.00 a.m. on 5 February 2018 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

As the Acquisition constitutes a reverse takeover under the Listing Rules, admission of the Ordinary Shares then in issue to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities will be cancelled on Completion. Further applications will be made to the UKLA and the London Stock Exchange, respectively, for the Ordinary Shares, including the New Ordinary Shares to be issued pursuant to the Rights Issue, to be re-admitted to the premium listing segment of the Official List of the UKLA and to trading on the London Stock Exchange's main market for listed securities (together, **Re-admission**).

It is currently expected that Re-admission will become effective post Completion, and that dealings in the Ordinary Shares will commence at 8.00 a.m. on or prior to 2 March 2018 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

Subject to, among other things, the passing of the Resolutions at the General Meeting, it is expected that Qualifying Non-CREST Shareholders (other than, subject to limited exceptions, Overseas Shareholders with a registered address in the United States or in any of the other Excluded Territories) will be sent Provisional Allotment Letters on 2 February 2018 and that Qualifying CREST Shareholders (other than, subject to limited exceptions, Overseas Shareholders with a registered address in the United States or in any of the other Excluded Territories) will receive a credit to the appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 5 February 2018. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission of the New Ordinary Shares.

**The latest time and date for acceptance of, and payment in full for, the New Ordinary Shares by holders of Nil Paid Rights is expected to be 11.00 a.m. on 19 February 2018. The procedure for acceptance and payment is set out in Part II (*Details of the Rights Issue*) of this document and, for Qualifying Non-CREST Shareholders only, will also be set out in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to Section 5 of Part II (*Details of the Rights Issue*) of this document.**

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Investec Bank plc (**Investec**), Barclays Bank PLC (acting through its Investment Bank) (**Barclays**) and HSBC Bank plc (**HSBC**) (HSBC, Barclays and Investec together, the **Underwriters**) are each authorised by the Prudential Regulation Authority (**PRA**) and regulated in the United Kingdom by the PRA and the FCA. Each of the Underwriters is acting exclusively for the Company and no one else in connection with the arrangements described in this document, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the arrangements described in this document and will not be responsible to anyone other than Cineworld for providing the protections afforded to its clients nor for giving advice in relation to the arrangements described in this document or any other transaction or arrangement referred to in this document. The Underwriters and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, Cineworld and the Major Shareholder for which they would have received customary fees. The Underwriters and any of their respective affiliates may provide such services to Cineworld and the Major Shareholder and any of their respective affiliates in the future. Apart from the responsibilities and liabilities, if any, that may be imposed on the Underwriters by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters or any of their respective affiliates, directors, officers, employers or advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of, this document or for any other statement made or purported to be made by it, or on its behalf, in connection with Cineworld, the Acquisition, the Rights Issue or the arrangements described in this document and nothing in this document will be relied upon as a promise or representation in this respect, whether or not to the past or future. The Underwriters and their respective affiliates, directors, officers, employees and advisers accordingly disclaim to the fullest extent permitted by law all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement. The Underwriters have given and not withdrawn their consent to the issue of this document with the inclusion of the references to its name in the form and context to which they are included.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Acquisition and the Rights Issue, including the merits and risks involved.

The investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document and that no person has been authorised to give any information or to make any representation concerning Cineworld or its subsidiaries or the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by Cineworld, the Underwriters.

The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

The Rights Issue has been fully underwritten by the Underwriters in accordance with and subject to the conditions of the Underwriting Agreement. The Underwriters' obligations under the Underwriting Agreement are conditional upon certain matters being satisfied or not breached prior to Admission. If these conditions are not satisfied or (where permitted) waived by Admission, the Underwriting Agreement will terminate. After Admission, the Underwriters have no right to terminate the Underwriting Agreement.

This document does not constitute an offer to sell or issue, or a solicitation of an offer to buy, Ordinary Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such offer or solicitation would be unlawful. This document is being sent to holders with registered or mailing addresses in any such jurisdiction only in connection with the General Meeting and, in that context, no part of this document or the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer to sell, or a solicitation of an offer to buy, Ordinary Shares or to take up entitlements to Nil Paid Rights. All Overseas Shareholders with a registered address in the United States or in any of the other Excluded Territories and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if received, or other document to any jurisdiction outside the United Kingdom should read Section 9 of Part II (*Details of the Rights Issue*) of this document. Prospective investors must comply with all applicable laws and regulations in force in any applicable jurisdiction, and must obtain any consent, approval or permission required for the purchase, offer or sale of the Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares under the laws and regulations in force in the jurisdiction to which such prospective investor is subject or in which such prospective investor makes such purchase, offer or sale, and none of the Company, the Underwriters or their respective employees, agents or representatives will have any responsibility therefor.

**Notice to US investors**

**Subject to certain exceptions, this document does not constitute an offer to sell or a solicitation of an offer to buy the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States. The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state or other jurisdiction of the United States. The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are being offered and sold outside the United States, in offshore transactions within the meaning of and in accordance with Regulation S under the Securities Act, and in the United States to qualified institutional buyers (QIB) within the meaning of Rule 144A under the Securities Act in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Prospective**

**investors are hereby notified that sellers of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act, as amended, provided by Rule 144A thereunder.**

The Underwriters or their affiliates may arrange for any New Ordinary Shares not taken up in the Rights Issue to be offered and sold only (i) in accordance with Regulation S under the Securities Act or (ii) to persons reasonably believed to be QIBs within the meaning of Rule 144A under the Securities Act in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Prospective investors are hereby notified that such sellers of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, until 40 days after Admission, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

**None of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters, New Ordinary Shares, this document or any other offering document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.**

**Notice to Canadian residents**

This document constitutes an offering of the securities described only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and only by persons permitted to sell such securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities referred to in this document in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described and any representation to the contrary is an offence.

**Notice to all Investors**

Capitalised terms have the meaning ascribed to them in Part XV (*Definitions*) of this document.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act of 1934 (the **Exchange Act**). In order to permit compliance with Rule 144A under the Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of a Shareholder or a prospective purchaser from any Shareholder the information required to be delivered under Rule 144A(d)(4) of the Securities Act if at the time of such request it is not a reporting company under section 13 or section 15(d) of the Exchange Act and is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Any reproduction or distribution of this document or the Provisional Allotment Letters, in whole or in part, and any disclosure of its contents or use of any information for any purpose other than in considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

The contents of this document are not to be construed as legal, business or tax advice. Prospective investors should be aware that an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares may have tax consequences both in the United Kingdom and in the United States. Information on taxation in the United Kingdom in relation to the Rights Issue is set out in Part A of Part XI (*Taxation*) of this document. Information on taxation in the United States in relation to the Rights Issue is set out in Part B of Part XI (*Taxation*) of this document. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

**Information to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (**MiFID II**); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the **MiFID II Product Governance Requirements**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the **Target Market Assessment**). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares may decline and investors could lose all or part of their investment; the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares and determining appropriate distribution channels.

This document is dated 17 January 2018.

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# SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

| **Section A—Introductions and warnings** | | |
|---|---|---|
| **Element** | **Disclosure requirement** | **Disclosure** |
| A.1 | Warning | This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities. |
| A.2 | Resale or final placement of securities through financial intermediaries | Not applicable. Cineworld is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this document. |

| **Section B—Issuer** | | |
|---|---|---|
| **Element** | **Disclosure requirement** | **Disclosure** |
| B.1 | Legal and commercial name | Cineworld Group plc. |
| B.2 | Domicile/legal form/legislation under which the issuer operates/country of incorporation | The Company is incorporated in England as a public limited company, limited by shares. Cineworld's registered office is situated in England and its registered number is 05212407. The principal legislation under which the Company operates is the Companies Act 2006 and the regulations made thereunder. |
| B.3 | Current operations/principal activities/principal markets | ***Cineworld***<br>Cineworld was founded in 1995 and is one of the leading cinema exhibition businesses in Europe. In 2014, Cineworld combined with Cinema City to create the second largest cinema business in Europe (by number of screens).<br><br>Cineworld is an international cinema exhibition business operating in nine different countries with 232 sites and 2,217 screens. Cineworld operates in the UK and Ireland under the Cineworld and Picturehouse brands, in six CEE countries |

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|---|---|---|
| | | under the Cinema City brand and in Israel under the Yes Planet and Rav-Chen brands. Cineworld's cinemas offer up to six different formats in which to watch movies; regular screens, IMAX, 4DX, 3D, Superscreen and VIP auditoriums. Cineworld continues to expand its IMAX and 4DX formats across a selection of its sites and, as at 31 December 2017, operates 35 IMAX screens and 38 4DX screens and 11 Superscreens.<br><br>Cineworld sells food and drinks (soft drinks, coffee and, in certain cinemas, alcohol) at its sites.<br><br>Digital Cinema Media Limited (**DCM**), Cineworld's joint venture screen advertising business formed in 2008 with Odeon UCI, sells screen advertising time on behalf of the UK cinema industry. Cineworld also engages in related promotional work between advertisers and cinemas.<br><br>Cineworld shows a broad range of films to a large number of customers with a wide demographic. In FY 2016, Cineworld had over 100 million admissions.<br><br>During FY 2016, in the UK and Ireland, Cineworld's box office performance was underpinned by a solid film slate. Admissions in the year increased by 1.8 per cent. and, combined with an increase in the average ticket price of 2.1 per cent. to £6.25 (2015: £6.13), resulted in a box office revenue growth of 3.9 per cent. As a result of the nature of the film slate and the admissions levels in 2016, advertising revenues were broadly in line with FY 2015. The expansion of Cineworld cinema's retail offerings, strong promotions, growth in the Unlimited customer base and operational improvements led to an increase in net retail spend per admission of 7.6 per cent. to £2.27 (2015: £2.11).<br><br>In the ROW (comprised of CEE countries and Israel), admissions increased by 13.6 per cent. Double digit growth was seen in four CEE countries, largely due to significant expansion. Total retail revenues were £73.3 million (2015: £55.5 million) increasing by 32.1 per cent.<br><br>***Regal***<br>Regal operates one of the leading cinema estates in the United States, consisting of 7,321 screens in 560 cinemas in 43 states along with Guam, Saipan, American Samoa and the District of Columbia, as at 31 December 2017.<br><br>Within the United States, Regal has a geographically diverse estate which includes cinemas in 48 of the top 50 US Designated Market Areas. Regal operates multi-screen cinemas and, as at 30 September 2017, had an average of 13.0 screens per location. Regal operates its cinema estate using its Regal Cinemas, United Artists, Edwards, Great Escape Theatres and Hollywood Theaters brands through its wholly-owned subsidiaries. Regal's multi-screen cinema complexes typically contain 10 to 18 screens, each with auditoriums ranging from 100 to 500 seats. |

As at 30 September 2017, Regal owns approximately 17.9 per cent. of NCM, a joint venture between Regal, AMC, and Cinemark. NCM operates the largest digital in-cinema advertising network in North America representing over 20,500 US cinema screens and focuses on in-cinema advertising for its theatrical exhibition partners, which include Regal, AMC, and Cinemark.

As at 30 September 2017, Regal holds a 46.7 per cent. economic interest in DCIP, a joint venture company formed by Regal, AMC and Cinemark. DCIP funds the cost of digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors including Regal. In addition to its US digital deployment, DCIP actively manages the deployment of over 1,800 digital systems in Canada for Canadian Digital Cinema Partnership, a joint venture between Cineplex Inc. and Empire Theatres Limited.

In FY 2016, Regal had approximately 211 million admissions and generated total revenues of US$3,193.3 million (£2,318.9 million) and Adjusted EBITDA of US$622.0 million (£451.7 million) (converted at an exchange rate of US$1:£0.7262).

B.4a

Most significant recent trends of the Company and its industry

***Cineworld***

On 17 January 2018, Cineworld published a trading update for FY 2017, an extract of which is set out below:

*Revenue movements for the year were as follows:*

| | *Actual* | | | *Constant Currency* | | |
|---|---|---|---|---|---|---|
| | *Group* | *UK & Ireland* | *ROW*[(1)] | *Group* | *UK & Ireland* | *ROW*[(1)] |
| ***Total Revenue*** | *11.6%* | *5.9%* | *20.8%* | *7.9%* | *5.9%* | *10.9%* |
| *Box Office* | *10.3%* | *6.3%* | *17.7%* | *6.9%* | *6.3%* | *8.0%* |
| *Retail* | *15.6%* | *7.1%* | *29.2%* | *11.8%* | *7.1%* | *18.8%* |
| *Other income* | *10.3%* | *1.1%* | *19.3%* | *5.8%* | *1.1%* | *10.1%* |

***Notes:***

*(1) ROW is defined as Rest of the World and includes Poland, Hungary, Israel, Romania, Czech Republic, Bulgaria and Slovakia.*

*Admissions in both the UK & Ireland and the ROW increased compared with the prior year. Growth has been driven by the expansion of our estate, the improved results from the ongoing refurbishment programme and the continued roll-out of our premium formats. The highest grossing films for the year in the UK were "Beauty and the Beast", "Star Wars: The Last Jedi" and "Dunkirk". Locally produced films continued to perform well across the ROW, especially in Poland where "Listy Do Movie 3" and "Botoks" were the top performing films for the year.*

*Retail revenue showed strong growth of 15.6% (11.8% constant currency), particularly in the ROW with growth of 29.2% (18.8% constant currency). Retail revenue is a function of admissions, economic and spending trends in each local market and was positively impacted by the expansion of the Group's retail offerings. The Group opened five Starbucks sites and three VIP sites in 2017 bringing the total to 29 Starbucks*

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| | | *sites and 12 VIP sites at 31 December 2017. For the Group, Other Income growth has primarily been driven by the ROW, with growth in both the advertising and distribution income streams.*<br><br>*The Group made significant progress with its expansion and refurbishment programme. At the end of 2017 the Group operated 232 sites with 2,217 screens. This includes nine sites (110 screens) opened during 2017, four in the UK and five in the ROW, as well as the Empire Newcastle site (16 screens) acquired in June 2017. The Group proactively managed the existing estate through its refurbishment and selective site closure programme. During the year four refurbishments were completed in the UK, (Hemel Hempstead, Ipswich, Northampton and Solihull) and two in Poland (Arkadia and Mokotow). There are a number of sites currently under refurbishment including at Leicester Square and The O2 in London. Four of the Group's smaller sites were closed during the year, three in the UK and one in Hungary.*<br><br>*The Group continued with its strategy to invest in technology and be leaders in the industry, with 11 4DX screens, 2 Superscreens and 2 IMAX screens opened during the year. At the end of 2017 the Group had a total of 38 4DX screens, 35 IMAX screens and 11 Superscreens.*<br><br>*There is a strong film slate for 2018 which includes "Jurassic World: Fallen Kingdom", "Fantastic Beasts: The Crimes of Grindelwald", "Avengers: Infinity War", "The Incredibles 2", "Mamma Mia! Here We Go Again", "Solo: A Star Wars Story", "Deadpool 2", "Fifty Shades Freed" and "Mary Poppins Returns".*<br><br>*After a successful outcome in 2017 the Group is positioned well for another year of progress in 2018.*<br><br>**Regal**<br><br>On 16 January 2018, Regal published a trading update for FY 2017, an extract of which is set out below:<br><br>*For the year ended 31 December 2017, box office revenue and concession revenue declined 2.6% and 0.3% versus the prior year period.*<br><br>*% Change vs. Prior Period*<br>*Box Office revenue (2.6%)*<br>*Concessions revenue (0.3%)*<br>*Attendance (6.7%)*<br><br>*Nearly 197 million people attended Regal theaters in 2017, representing a decline of 6.7% versus 2016. As expected at the time of our third quarter earnings announcement, the business has enjoyed a strong holiday season. Although 2017 featured a record box office in the first quarter and, according to Box Office MoJo, the second highest fourth quarter from an industry box office perspective, overall the film slate in 2017 was weaker than the prior year. The top five performing movies* |

| | | |
|---|---|---|
| | | *of the year were "Star Wars: The Last Jedi", "Beauty and the Beast", "Wonder Woman", "Guardians of the Galaxy: Volume 2" and "Spider-Man: Homecoming", which generated total domestic box office revenue of approximately $2.2 billion.*<br><br>*For 2017, the decline in attendance was partially offset by an increase in average ticket prices and an increase in average concessions revenues per patron, which were primarily attributable to selective price increases and the continued rollout of our expanded food and alcohol menu.* |
| B.5 | Group structure | Cineworld is the parent company of the Cineworld Group and, following the Acquisition, will be the parent company of the Enlarged Group, the principal activities of which will be operating cinemas and associated retail offerings, cinema advertising and film distribution. |
| B.6 | Notifiable interests, different voting rights and controlling interests | As at the Latest Practicable Date, the Company had been notified in accordance with DTR5 of the Disclosure Guidance and Transparency Rules of the following interests in its Ordinary Shares:<br><br>*Shareholder* — *Number of shares* — *Percentage of Total Voting Rights(%)*<br>Global City Holdings B.V. — 76,626,344 — 27.97<br>Royal London Asset Management — 10,578,562 — 3.86<br>Polaris Capital Management, LLC — 9,172,000 — 3.35<br><br>Save as disclosed in this Element of the Summary, Cineworld is not aware of any other person who, as at the Latest Practicable Date, directly or indirectly, has a holding which is notifiable under English law.<br><br>Cineworld is not aware of any persons who, as the Latest Practicable Date, directly or indirectly, jointly or severally, exercise or are entitled to exercise control over Cineworld nor is the Company aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.<br><br>None of the Company's major shareholders has different voting rights. To the extent known to the Company, the Company is not directly or indirectly owned or controlled by any person or any group of persons. |
| B.7 | Historical key financial information for the Company | ***Cineworld***<br>Selected historical financial information for Cineworld has been extracted without material adjustment from the audited consolidated financial statements of the Cineworld Group for FY 2014, FY 2015 and FY 2016 and the unaudited consolidated financial statements of the Cineworld Group for the 2017 Nine Month Period set out in Part VIII (*Historical Financial Information relating to Cineworld*) of this document: |

## Summary Consolidated Statement of Profit or Loss

| | *53 weeks ended 1 January 2015* | *52 weeks ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (Unaudited)* | *9 months ended 30 September 2017 (Unaudited)* |
|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| Revenue | 619.4 | 705.8 | 797.8 | 564.1 | 633.6 |
| Cost of sales | (438.9) | (517.2) | (584.8) | (420.3) | (477.8) |
| **Gross profit** | 180.5 | 188.6 | 213.0 | 143.8 | 155.8 |
| **Operating profit** | 76.0 | 103.1 | 112.8 | 71.7 | 75.0 |
| **Reconciliation from operating profit to Adjusted EBITDA as defined in footnote 1** | | | | | |
| **Operating profit** | 76.0 | 103.1 | 112.8 | 71.7 | 75.0 |
| Share of loss of associates using equity accounting method, net of tax | (0.1) | – | – | (0.1) | (0.1) |
| **Operating profit plus share of loss of associates using equity accounting method, net of tax** | **75.9** | **103.1** | **112.8** | **71.6** | **74.9** |
| —Depreciation and amortisation | 46.6 | 49.4 | 58.6 | 41.9 | 50.2 |
| —Onerous leases | (1.9) | (1.7) | (1.5) | 1.2 | 0.7 |
| —Impairments and reversals of impairments | (1.0) | 9.0 | (0.4) | 0.8 | 0.6 |
| —Transaction and reorganisation costs | 6.9 | 1.9 | 4.8 | 0.2 | 2.8 |
| —Undistributed share of profits from associates | – | – | – | – | – |
| —(Gains)/Losses on disposals of assets | – | (6.4) | 1.5 | 0.3 | (2.7) |
| **Adjusted EBITDA[(1)]** | **126.5** | **155.3** | **175.8** | **116.0** | **126.5** |
| **Net finance costs** | (8.6) | (3.4) | (14.6) | (14.6) | (6.9) |
| Share of profit/(loss) of associates using equity accounting method, net of tax | (0.1) | – | – | (0.1) | (0.1) |
| **Profit on ordinary activities before tax** | 67.3 | 99.7 | 98.2 | 57.0 | 68.0 |
| Tax charge on profit on ordinary activities | (12.8) | (18.4) | (16.2) | (9.4) | (11.2) |
| **Profit for the period attributable to equity holders of the Company** | 54.5 | 81.3 | 82.0 | 47.6 | 56.8 |
| Basic earnings per share (pence) | 22.1 | 30.7 | 30.8 | | |
| Diluted earnings per share (pence) | 21.9 | 30.4 | 30.4 | | |

**Notes:**

(1) Adjusted EBITDA as reported in the Summary Consolidated Statement of Profit and Loss is defined as operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities.

## Summary Consolidated Statement of Financial Position

| | 1 January 2015 | 31 December 2015 | 31 December 2016 | 30 September 2016 (Unaudited) | 30 September 2017 (Unaudited) |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Assets** | | | | | |
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | 297.6 | 345.4 | 445.4 | 437.8 | 500.4 |
| Other non-current assets | 641.2 | 609.0 | 711.7 | 725.9 | 724.6 |
| **Total non-current assets** | 938.8 | 954.4 | 1,157.1 | 1,163.7 | 1,225.0 |
| ***Current assets*** | | | | | |
| Other current assets | 70.5 | 77.0 | 83.8 | 81.8 | 83.8 |
| Cash and cash equivalents | 37.4 | 62.5 | 55.8 | 26.4 | 19.4 |
| **Total current assets** | 107.9 | 139.5 | 139.6 | 108.2 | 103.2 |
| **Total Assets** | 1,046.7 | 1,093.9 | 1,296.7 | 1,271.9 | 1,328.2 |
| **Liabilities** | | | | | |
| ***Current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (24.8) | (15.7) | (16.8) | (18.7) | (13.2) |
| Other current liabilities | (127.9) | (154.9) | (192.6) | (156.5) | (152.2) |
| **Total current liabilities** | (152.7) | (170.6) | (209.4) | (175.2) | (165.4) |
| ***Non-current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (292.4) | (292.0) | (321.3) | (342.0) | (326.4) |
| Other non-current liabilities | (95.3) | (96.6) | (102.6) | (128.1) | (111.6) |
| **Total non-current liabilities** | (387.7) | (388.6) | (423.9) | (470.1) | (438.0) |
| **Total liabilities** | (540.4) | (559.2) | (633.3) | (645.3) | (603.4) |
| **Net assets** | 506.3 | 534.7 | 663.4 | 626.6 | 724.8 |
| **Total equity** | 506.3 | 534.7 | 663.4 | 626.6 | 724.8 |

## Summary Consolidated Statement of Cash Flows

| | 53 weeks ended 1 January 2015 | 52 weeks ended 31 December 2015 | 12 months ended 31 December 2016 | 9 months ended 30 September 2016 (Unaudited) | 9 months ended 30 September 2017 (Unaudited) |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Net cash flow from operating activities | 86.1 | 165.9 | 150.1 | 53.7 | 92.7 |
| Net cash flow used in investing activities | (325.7) | (80.3) | (130.3) | (100.5) | (73.0) |
| Net cash flow from financing activities | 260.1 | (57.7) | (33.9) | 2.1 | (56.2) |
| **Net (decrease)/increase in cash and cash equivalents** | 20.5 | 27.9 | (14.1) | (44.7) | (36.5) |
| **Cash and cash equivalents at end of period** | 37.4 | 62.5 | 55.8 | 26.4 | 19.4 |

| | | |
|---|---|---|
| | | The following significant changes to the financial condition and operating results of Cineworld occurred during FY 2014, FY 2015, FY 2016 and the 2017 Nine Month Period:<br><br>– In February 2014, Cineworld completed the Cinema City Combination. The cash element of the consideration of £302.6 million was part funded by an 8 for 25 rights issue which completed on 14 February 2014. Alongside growth from the existing business and as a result of the Cinema City Combination, during FY 2014 the Cineworld Group increased its net assets by £312.4 million to £506.3 million (as at the balance sheet date) and its operating profit by 102.7 per cent. compared to FY 2013.<br><br>– In FY 2015, profit on ordinary activities after tax in the period was £81.3 million compared to £54.5 million in FY 2014. The significant increase was attributable, in part to the performance of the Cineworld Group's operations in the ROW (comprised of CEE countries and Israel) and revenue growth across the Cineworld Group as well as the cost savings achieved, predominantly in the UK and Ireland.<br><br>– Net financing costs decreased by £5.2 million to £3.4 million in FY 2015 as compared to FY 2014. This movement was impacted by an increase in finance income as a result of foreign exchange gains of £8.0 million and a decrease in finance expense resulting from the reduction of certain term loans.<br><br>– In FY 2016, the British pound depreciated significantly against other foreign currencies. Whilst this had a positive benefit to the Cineworld Group when translating the results of the overseas operations, it had a negative impact on translation of a euro term loan at 31 December 2016. This loss on translation was the main reason for an increase in net financing costs of £11.2 million in FY 2016 (as compared to FY 2015) to £14.6 million.<br><br>– Net assets increased by £128.9 million to £663.4 million during FY 2016 (as compared to FY 2015). This was due to growth of the existing business and the acquisition of five Empire cinemas in August 2016 for consideration valued at £94.5 million, settled equally in cash and Ordinary Shares.<br><br>There has been no significant change in the financial or trading position of Cineworld since 30 September 2017.<br><br>***Regal***<br>The selected financial information set out below has been extracted from the historical financial information of Regal as set out in Part IX (*Historical Financial Information Relating to Regal*) of this document. |

## Summary Consolidated Statement of Profit or Loss

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (Unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| | *US$m* | *US$m* | *US$m* | *US$m* | *US$m* |
| Revenue | 2,986.3 | 3,123.4 | 3,193.3 | 2,381.5 | 2,298.9 |
| Cost of sales | (2,275.4) | (2,349.4) | (2,393.5) | (1,789.2) | (1,738.8) |
| **Gross profit** | 710.9 | 774.0 | 799.8 | 592.3 | 560.1 |
| **Operating profit** | 302.4 | 334.2 | 364.8 | 272.1 | 210.8 |
| **Reconciliation from operating profit to Adjusted EBITDA as defined in footnote 1** | | | | | |
| **Operating profit** | 302.4 | 334.2 | 364.8 | 272.1 | 210.8 |
| Share of profits of associates using equity accounting method, net of tax | 60.3 | 69.3 | 67.7 | 47.2 | 47.8 |
| **Operating profit plus share of profits of associates using equity accounting method, net of tax** | **362.7** | **403.5** | **432.5** | **319.3** | **258.6** |
| —Depreciation and amortisation | 198.3 | 204.4 | 216.4 | 160.4 | 175.8 |
| —Onerous leases | 13.6 | (2.5) | (17.0) | (10.8) | (12.8) |
| —Impairments and reversals of impairments | 7.1 | 10.2 | 13.9 | – | 25.9 |
| —Transaction and reorganisation costs | – | 5.8 | 2.9 | 1.5 | 1.3 |
| —Undistributed share of profits from associates | (17.8) | (25.7) | (21.0) | (22.1) | (19.3) |
| —(Gains)/Losses on disposals of assets | (0.3) | 4.1 | (5.7) | 3.2 | (17.7) |
| **Adjusted EBITDA**[(1)] | **563.6** | **599.8** | **622.0** | **451.5** | **411.8** |
| **Net finance costs** | (189.7) | (130.7) | (129.1) | (97.5) | (94.3) |
| Share of profit/(loss) of associates using equity accounting method, net of tax | 60.3 | 69.3 | 67.7 | 47.2 | 47.8 |
| **Profit on ordinary activities before tax** | 173.0 | 272.8 | 303.4 | 221.8 | 164.3 |
| Tax charge on profit on ordinary activities | (70.7) | (107.8) | (121.7) | (92.3) | (66.3) |
| **Profit for the period attributable to equity holders of Regal** | 102.7 | 165.2 | 181.6 | 129.4 | 98.0 |
| Basic earnings per share (cents) | 65.7 | 105.9 | 116.4 | 83.1 | 63.1 |
| Diluted earnings per share (cents) | 65.4 | 105.4 | 115.8 | 82.7 | 62.7 |

**Notes:**

(1) Adjusted EBITDA as reported in the Summary Consolidated Statement of Profit and Loss is defined as operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities.

## Summary Consolidated Statement of Financial Position

| | 1 January 2015 | 31 December 2015 | 31 December 2016 | 30 September 2016 (Unaudited) | 30 September 2017 |
|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m |
| **Assets** | | | | | |
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | 1,404.3 | 1,364.7 | 1,364.0 | 1,362.7 | 1,473.9 |
| Other non-current assets | 689.8 | 734.8 | 745.4 | 749.9 | 792.3 |
| **Total non-current assets** | 2,094.1 | 2,099.5 | 2,109.4 | 2,112.6 | 2,266.2 |
| ***Current assets*** | | | | | |
| Other current assets | 178.2 | 201.2 | 203.9 | 99.6 | 133.0 |
| Cash and cash equivalents | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |
| **Total current assets** | 325.2 | 420.8 | 450.4 | 286.5 | 322.5 |
| **Total Assets** | 2,419.3 | 2,520.3 | 2,559.8 | 2,399.1 | 2,588.7 |
| **Liabilities** | | | | | |
| ***Current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (25.2) | (26.0) | (24.2) | (23.8) | (25.3) |
| Other current liabilities | (477.2) | (554.7) | (521.3) | (383.7) | (395.6) |
| **Total current liabilities** | (502.4) | (580.7) | (545.5) | (407.5) | (420.9) |
| ***Non-current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (2,300.2) | (2,282.0) | (2,286.7) | (2,289.7) | (2,424.2) |
| Other non-current liabilities | (673.7) | (683.1) | (703.1) | (698.3) | (720.8) |
| **Total non-current liabilities** | (2,973.9) | (2,965.1) | (2,989.8) | (2,988.0) | (3,145.0) |
| **Total liabilities** | (3,476.3) | (3,545.8) | (3,535.3) | (3,395.5) | (3,565.9) |
| **Net liabilities** | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.2) |
| **Total deficit** | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.2) |

## Summary Consolidated Statement of Cash Flows

| | 53 weeks ended 1 January 2015 | 12 months ended 31 December 2015 | 12 months ended 31 December 2016 | 9 months ended 30 September 2016 (Unaudited) | 9 months ended 30 September 2017 |
|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m |
| Net cash flow from operating activities | 440.6 | 509.8 | 484.7 | 323.5 | 324.5 |
| Net cash flow used in investing activities | (104.7) | (137.7) | (176.8) | (133.1) | (308.6) |
| Net cash flow from financing activities | (469.8) | (299.5) | (281.0) | (223.1) | (72.9) |
| **Net (decrease)/increase in cash and cash equivalents** | (133.9) | 72.6 | 26.9 | (32.7) | (57.0) |
| **Cash and cash equivalents at end of period** | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |

The following significant changes to the financial condition and operating results of Regal occurred during FY 2014, FY 2015, FY 2016 and the 2017 Nine Month Period:

– Operating profit increased by US$31.8 million, or 10.52 per cent., to US$334.2 million during FY 2015, from US$302.4 million in FY 2014. The increase in operating profit during FY 2015 was primarily attributable to the increase in total revenues, partially

| | | |
|---|---|---|
| | | offset by an increase in cost of sales when compared to FY 2014.<br><br>– In April 2017, Regal completed the acquisition of two cinemas with 41 screens located in Houston, Texas from Santikos Theatres, Inc. for an aggregate net cash price of US$29.8 million, and purchased a parcel of land located in Montgomery County, Texas from an affiliate of Santikos Theatres, Inc. for a net cash purchase price of approximately US$7.3 million. In addition, in May 2017, Regal completed the acquisition of seven cinemas with 93 screens located in Kansas and Oklahoma from Warren Theatres for an aggregate net cash purchase price, before post-closing adjustments, of US$134.5 million.<br><br>There has been no significant change in the financial or trading position of Regal since 30 September 2017. |
| B.8 | Selected key pro forma financial information | Selected pro forma financial information which illustrates the effect of the Rights Issue, the Debt Financing and the Acquisition on the net assets of the Cineworld Group as if they had taken place on 30 September 2017 and on the statement of profit or loss of the Cineworld Group as if these had taken place on 1 January 2016 is presented below.<br><br>The unaudited summary pro forma net assets statement has been prepared in a manner consistent with the accounting policies adopted by the Cineworld Group in preparing its financial statements for FY 2017 and on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.<br><br>The unaudited summary pro forma information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Cineworld Group's actual financial position or results. |

## Unaudited Pro Forma Statement of Net Assets of the Enlarged Group as at 30 September 2017

| | *Cineworld Group Note 1 £m* | *Equity raised by Rights Issue Note 2 £m* | *Sub-total Note 3 £m* | *Regal Group Note 4 US$m* | *Regal Group Note 5 £m* | *Repayment of Cineworld debt Note 6 £m* | *Repayment or redemption of Regal debt Note 7 £m* | *Proceeds from debt drawdown Note 8 £m* | *Acquisition of Regal Note 9 £m* | *Transaction costs Note 10 £m* | *Pro Forma £m* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | | | | | |
| Other intangible assets | 48.1 | – | 48.1 | 14.8 | 11.0 | – | – | – | – | – | 59.1 |
| Goodwill | 669.5 | – | 669.5 | 345.8 | 258.1 | – | – | – | 3,358.1 | – | 4,285.7 |
| Property, plant and equipment | 500.4 | – | 500.4 | 1,473.9 | 1,099.9 | – | – | – | – | – | 1,600.3 |
| Deferred taxes | – | – | – | 139.0 | 103.7 | – | – | – | – | – | 103.7 |
| Investment in equity-accounted investee | 1.0 | – | 1.0 | 242.5 | 181.0 | – | – | – | – | – | 182.0 |
| Other receivables | 6.0 | – | 6.0 | 50.2 | 37.5 | – | – | – | – | – | 43.5 |
| **Total non-current assets** | **1,225.0** | **–** | **1,225.0** | **2,266.2** | **1,691.2** | **–** | **–** | **–** | **3,358.1** | **–** | **6,274.3** |
| **Current assets** | | | | | | | | | | | |
| Asset held for sale | – | – | – | 0.9 | 0.7 | – | – | – | – | – | 0.7 |
| Inventories | 10.8 | – | 10.8 | 23.9 | 17.8 | – | – | – | – | – | 28.6 |
| Trade and other receivables | 73.0 | – | 73.0 | 108.2 | 80.7 | – | – | – | – | – | 153.7 |
| Cash and cash equivalents | 19.4 | 1,720.2 | 1,739.6 | 189.5 | 141.4 | (327.0) | (1,766.0) | 2,990.3 | (2,628.6) | (144.0) | 5.7 |
| **Total current assets** | **103.2** | **1,720.2** | **1,823.4** | **322.5** | **240.6** | **(327.0)** | **(1,766.0)** | **2,990.3** | **(2,628.6)** | **(144.0)** | **188.7** |
| **Total assets** | **1,328.2** | **1,720.2** | **3,048.4** | **2,588.7** | **1,931.8** | **(327.0)** | **(1,766.0)** | **2,990.3** | **729.5** | **(144.0)** | **6,463.0** |
| **Long-term liabilities** | | | | | | | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (326.4) | – | (326.4) | (2,424.2) | (1,809.1) | 312.0 | 1,747.0 | (2,966.3) | – | 48.0 | (2,994.8) |
| Employee benefits | (1.9) | – | (1.9) | – | – | – | – | – | – | – | (1.9) |
| Deferred taxes | (10.3) | – | (10.3) | – | – | – | – | – | – | – | (10.3) |
| Provisions | (8.0) | – | (8.0) | (45.2) | (33.7) | – | – | – | – | – | (41.7) |
| Other payables | (91.4) | – | (91.4) | (675.6) | (504.3) | – | – | – | – | – | (595.7) |
| **Total non-current liabilities** | **(438.0)** | **–** | **(438.0)** | **(3,145.0)** | **(2,347.1)** | **312.0** | **1,747.0** | **(2,966.3)** | **–** | **48.0** | **(3,644.4)** |
| **Current liabilities** | | | | | | | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (13.2) | – | (13.2) | (25.3) | (18.9) | 12.0 | 19.0 | (24.0) | – | – | (25.1) |
| Bank overdrafts | (3.8) | – | (3.8) | – | – | 3.0 | – | – | – | – | (0.8) |
| Current taxes payable | (15.2) | – | (15.2) | (7.1) | (5.3) | – | – | – | – | – | (20.5) |
| Trade and other accounts payable | (126.2) | – | (126.2) | (365.1) | (272.5) | – | – | – | – | – | (398.7) |
| Provisions | (7.0) | – | (7.0) | (23.4) | (17.5) | – | – | – | – | – | (24.5) |
| **Total current liabilities** | **(165.4)** | **–** | **(165.4)** | **(420.9)** | **(314.2)** | **15.0** | **19.0** | **(24.0)** | **–** | **–** | **(469.6)** |
| **Total liabilities** | **(603.4)** | **–** | **(603.4)** | **(3,565.9)** | **(2,661.3)** | **327.0** | **1,766.0** | **(2,990.3)** | **–** | **48.0** | **(4,114.0)** |
| **Total net assets** | **724.8** | **1,720.2** | **2,445.0** | **(977.2)** | **(729.5)** | **–** | **–** | **–** | **729.5** | **(96.0)** | **2,349.0** |

### Notes:

(1) The net assets of Cineworld Group as at 30 September 2017 have been extracted without adjustment from the unaudited interim financial information as at and for the period ended 30 September 2017 set out in Part VIII of this document.

(2) The adjustment in Note 2 reflects the receipt of the proceeds of the Rights Issue by Qualifying Shareholders of 1,095,662,872 shares at 157 pence per share. The proceeds receivable by the Company are £1,720.2 million. Cineworld Group intends to use the proceeds of the Rights Issue towards the funding of the acquisition.

(3) The pro forma statement sub-total reflects the Cineworld Group immediately following the Rights Issue and assuming that the Rights Issue occurred on 30 September 2017. This pro forma sub-total is presented on the basis that no acquisition of Regal Group has yet occurred.

(4) The net assets of Regal Group as at 30 September 2017 have been extracted without adjustment from the historical financial information set out in Part IX of this document.

(5) The individual assets and liabilities of Regal as at 30 September 2017 have been translated into GBP using a US Dollar exchange rate of 1.34 which represents the Bank of England closing rate as at 30 September 2017.

(6) The adjustment in Note 6 reflects the settlement of the existing Cineworld Group debt of £327.0 million (including €54 million translated at exchange rate of 1.15) present in the 30 September 2017

balance sheet. This is funded from the Enlarged Group's existing cash balances.

(7) The adjustment in Note 7 reflects the settlement of the existing Regal Group debt of £1,766.0 million ($2,364.7 translated at exchange rate of 1.34) present in the 30 September 2017 balance sheet.

(8) The adjustment in Note 8 reflects the receipt of the net proceeds of the current and non-current debt draw down on completion of the $4,007.0 million facility. The drawdown is expected to occur in the following currencies: USD3,007.0 million in USD, USD400.0 million in GBP and USD600 million in EUR, converted at the following 30 September 2017 exchange rate: USD1.34 to £1. The currency allocations and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.

(9) The adjustment in Note 9 reflects the acquisition of Regal by Cineworld Group. The consideration payable to Regal shareholders will consist of a cash payment of $3,627.5 million (converted at USD:GBP rate of 1.38 which is the latest practicable rate for this pro forma – source: Bloomberg). The goodwill generated on acquisition reflects total consideration of £2,628.6 million plus net liabilities of Regal of £729.5 million (included in note 5). The goodwill balance created on acquisition has not yet been analysed and presented in accordance with IFRS 3 Business Combinations. The Cineworld Group expects to undertake a fair value exercise following Completion to enable the Cineworld Directors to identify individual intangible assets and make any fair value adjustments required.

(10) The adjustment in Note 10 reflects the total transaction costs of £144.0 million incurred as part of the Acquisition and the related work performed. Of these costs, £96.0 million relate solely to the cost of acquiring Regal and the Rights Issue and have therefore been presented in equity as they would be expensed in accordance with IFRS 3, Business Combinations. The remaining costs of £48.0 million directly relate to the securing of the debt facilities summarised in Note 5 above. In accordance with IAS 39 Financial Instruments: Recognition and Measurement these have been presented net against the gross current and non-current debt drawn down in Note 8 as prepaid interest costs and will be amortised over the 7 year term of the debt.

(11) No adjustment has been made to reflect the trading results of Cineworld or Regal since 30 September 2017 or any other change in their financial positions in these periods.

## Unaudited Pro Forma Statement of Profit or Loss of the Enlarged Group for the twelve months ended 31 December 2016

| | | | | Adjustments | | | |
|---|---|---|---|---|---|---|---|
| *Pro forma* | *Cineworld Group Note 1 £m* | *Regal Group Note 2 US$m* | *Regal Note 3 £m* | *Financing costs under existing debt financing Note 4 £m* | *Financing costs paid under new debt financing Note 5 £m* | *Tax impact of financing costs Note 6 £m* | *Pro forma £m* |
| **Revenue** | 797.8 | 3,193.3 | 2,348.0 | – | – | – | 3,145.8 |
| Cost of sales | (584.8) | (2,393.5) | (1,759.9) | – | – | – | (2,344.7) |
| **Gross profit** | **213.0** | **799.8** | **588.1** | **–** | **–** | **–** | **801.1** |
| Other operating income | 2.7 | 1.5 | 1.1 | – | – | – | 3.8 |
| Administrative expenses | (102.9) | (436.5) | (321.0) | – | – | – | (423.9) |
| **Operating profit** | **112.8** | **364.8** | **268.2** | **–** | **–** | **–** | **381.0** |
| Finance income | 3.0 | 1.0 | 0.7 | – | – | – | 3.7 |
| Finance expenses | (17.6) | (130.1) | (95.7) | 99.9 | (124.5) | – | (137.9) |
| **Net finance costs** | **(14.6)** | **(129.1)** | **(95.0)** | **99.9** | **(124.5)** | **–** | **(134.2)** |
| Share of profits from jointly controlled entities using equity accounting method, net of tax | – | 67.7 | 49.9 | – | – | – | 49.9 |
| **Profit on ordinary activities before tax** | **98.2** | **303.4** | **223.1** | **99.9** | **(124.5)** | | **296.7** |
| Tax charge on profit on ordinary activities | (16.2) | (121.7) | (89.5) | – | – | 9.8 | (95.9) |
| **Profit on ordinary activities after tax** | **82.0** | **181.7** | **133.6** | **99.9** | **(124.5)** | **9.8** | **200.8** |
| Non-controlling interest | – | (0.1) | (0.1) | – | – | – | (0.1) |
| **Profit for the period attributable to equity holders of the Group** | **82.0** | **181.6** | **133.5** | **99.9** | **(124.5)** | **9.8** | **200.7** |

**Notes:**

(1) The income statement of Cineworld Group has been extracted without adjustment from its audited annual accounts for FY 2016 incorporated by reference into this document.

(2) The income statement of Regal Group has been extracted without material adjustment from the income statement of Regal for FY 2016 as set out in Part IX of this document.

| | | |
|---|---|---|
| | | (3) The income statement for Regal Group has been translated using a US Dollar exchange rate of 1.36 which represents the Bloomberg average rate for the year ended 31 December 2016.<br><br>(4) The adjustment in Note 4 reflects the removal of the Cineworld Group and Regal Group interest costs associated with the existing debt arrangements for the year ended 31 December 2016.<br><br>(5) The adjustment in Note 5 reflects the pro forma annual interest cost for the Combined Group had the debt arrangements post acquisition been in place from 1 January 2016 giving a total interest charge of £124.5 million. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): USD3,007.0 million in USD at 4.5%, USD 400.0 million in GBP at 4.0% and USD600 million in EUR at 3.0% converted at the following exchange rate USD 1.36:£1 (based on the 2016 average exchange rates, source Bloomberg) applicable for the year ended 31 December 2016. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.<br><br>(6) The adjustment in Note 6 reflects the tax adjustment for the changes in the interest costs shown above, calculated as £9.8 million.<br><br>(7) No adjustment has been made to reflect the trading results of Cineworld or Regal since 31 December 2016 or any other change in their financial positions in this period.<br><br>(8) All the above adjustments have a continuing impact. |
| B.9 | Profit forecast and estimate | The Cineworld Directors estimate that for FY 2017 Adjusted EBITDA for the Regal Group will be not less than US$575 million (the **Regal Profit Estimate**).<br><br>The Regal Profit Estimate is based on the audited financial statements of Regal for the 2017 Nine Month Period and the unaudited management accounts for the two months ended 30 November 2017 and an estimate for the one month ended 31 December 2017.<br><br>The Regal Profit Estimate has been prepared on a basis consistent with the current accounting policies of Cineworld which are in accordance with IFRS and in accordance with those to be adopted by the Cineworld Group in preparing its financial statements for FY 2017. |
| B.10 | Qualifications in the audit reports | Not applicable. The audit reports on the historical financial information relating to Cineworld incorporated by reference into, this document are not qualified. The accountant's report on the historical financial information relating to Regal in this document is not qualified. |
| B.11 | Insufficient working capital explanation | Not applicable. Cineworld is of the opinion that, after taking into account the net proceeds of the Rights Issue, the Debt Facilities and the bank and other facilities available to Cineworld, the working capital available for the Cineworld Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of publication of this document. |

| Section C—Securities | | |
|---|---|---|
| **Element** | **Disclosure requirement** | **Disclosure** |
| C.1 | Type and the class of the securities | Cineworld will issue 1,095,662,872 ordinary shares of one pence each in the capital of Cineworld pursuant to the Rights Issue. The ISIN for the New Ordinary Shares is GB00B15FWH70. |
| C.2 | Currency of the securities issue | The New Ordinary Shares are priced in Pounds Sterling, and will be quoted and traded in Pounds Sterling. |
| C.3 | Shares issued/value per share | As at the Latest Practicable Date the Company has in issue 273,915,718 fully paid shares of one pence each. |
| C.4 | Description of the rights attaching to the securities | The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the time they are issued, including in relation to any dividends or other distributions. Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares (for example, in the case of joint holders of a share, the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share), Shareholders shall have the right to receive notice of and to attend and vote at general meetings of Cineworld. Subject to the provisions of the Companies Act 2006, Cineworld may from time to time declare dividends and make other distributions on the Ordinary Shares. Shareholders are entitled to participate in the assets of Cineworld attributable to their shares in a winding-up of Cineworld or other return of capital, but they have no rights of redemption. |
| C.5 | Restrictions on free transferability of the securities | Not applicable; there are no restrictions on the free transferability of the Ordinary Shares. |
| C.6 | Admission/regulated markets where the securities are traded | Applications will be made to the UKLA and to the London Stock Exchange for New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the New Ordinary Shares (nil paid) will become effective on 5 February 2018 and that dealings in the New Ordinary Shares (nil paid) will commence on 5 February 2018.<br><br>The Existing Ordinary Shares are currently (and it is expected that the New Ordinary Shares will be) admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As the Acquisition constitutes a reverse takeover under the Listing Rules, upon Completion, the listing of the Ordinary Shares will be cancelled. Further applications will be made to the UKLA and to the London Stock Exchange for the re-admission of the Ordinary Shares to trading on its main market for listed securities. It is expected that Re-admission will become effective post-Completion and that dealings in the Ordinary Shares will become effective at 8.00 a.m. on or prior to 2 March 2018 (whereupon an announcement will be made by the Company to a Regulatory Information Service). |

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| C.7 | Dividend policy | For FY 2016, the Company paid a dividend of 19.0 pence per share (2015: 17.5 pence per share), representing an 8.6 per cent. increase on the level in 2015. For the six month period ended 30 June 2017, the Company has paid an interim dividend of 6.0 pence per share (2016: 5.2 pence per share), representing a 15.4 per cent. increase on the 2016 payment.<br><br>The Board expects that Cineworld will be able to maintain its existing dividend policy following Completion, underpinned by the future prospects of the Enlarged Group. The Board therefore intends, consistent with that policy, to declare or recommend a per share dividend at a coverage ratio similar to that paid in the last three financial years, to the extent that Cineworld has distributable reserves and cash available for this purpose. |

| **Section D—Risks** | | |
|---|---|---|
| **Element** | **Disclosure requirement** | **Disclosure** |
| D.1 | Key information on the key risks that are specific to the Company or its industry | Cineworld and Regal depend and, following the Acquisition, the Enlarged Group will depend, on the continued availability, diversity, quantity, appeal and performance of films, as most of their revenue is and is expected to be generated by box office sales.<br><br>Cineworld and Regal are and, following the Acquisition, the Enlarged Group will be, largely dependent on third party film distributors and on existing distribution agreements between film studios and their own distributors to license films. Due to US regulations, Regal and, following the Acquisition, the Enlarged Group, cannot assure themselves of a supply of films by entering into long-term arrangements with major distributors, but must negotiate for licences on a film-by-film basis.<br><br>Any reduction to or elimination of the cinema "release window" could increase the attractiveness of alternative film delivery methods, reduce cinema admissions, limit the prices cinemas can charge for admission and decrease the box office revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group.<br><br>Any reduction in revenue from retail sales due to falling admissions or changes in consumer preferences, decreased disposable income or other economic and cultural factors could have a material adverse effect on the business and results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group.<br><br>Competition from other leisure and entertainment attractions and major cultural or sporting events or changes in consumer behaviour may decrease the box office revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group.<br><br>An increase in piracy of films may decrease the box office revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group or adversely affect their relationships with distributors. |

| | | |
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| | | The business of Cineworld and Regal is and, following the Acquisition, the business of the Enlarged Group will be subject to significant competitive pressures. Cineworld and Regal face and, following Completion, the Enlarged Group will face competition, both actual and potential from national, regional or independent cinema operators in the various territories in which they operate, which could affect their ability to acquire attractive cinema sites or cinemas, attract customers or license films.<br><br>The terms of the financing arrangements of Cineworld, Regal and, following the Acquisition, the Enlarged Group may limit their commercial and financial flexibility.<br><br>The Enlarged Group's financial indebtedness could materially and adversely affect the Enlarged Group's business, financial condition and results of operations and restrict its ability to incur additional financial indebtedness. Failure to make payments on the Enlarged Group's indebtedness when due could give rise to an event of default under its financing arrangements which could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.<br><br>The Enlarged Group may experience difficulties in integrating the existing businesses carried on by Cineworld and Regal, in particular because of the substantial increase in the scale of the combined operations.<br><br>The Acquisition is conditional upon certain conditions, including approval of the Acquisition by Shareholders and by Regal Stockholders, certain of which may not be satisfied. As the Rights Issue is not conditional on Completion, if the Acquisition does not complete, but the Rights Issue does, the proceeds of the Rights Issue will be retained by Cineworld. In this event, the Cineworld Directors' current intention is that the proceeds of the Rights Issue will be applied to reducing the Company's net indebtedness on a short-term basis while the Cineworld Directors evaluate alternative uses of the funds. If no such uses can be found, the Cineworld Directors will consider how best to return the proceeds to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for Cineworld and would be subject to applicable securities laws. |
| D.3 | Key information on the key risks that are specific to the securities | The value of an investment in New Ordinary Shares may be subject to material fluctuations and may not reflect the underlying asset value.<br><br>Future substantial sales of Ordinary Shares, including by the Major Shareholder, or the perception that such sales might occur, could depress the market price of the Ordinary Shares.<br><br>Any future issue of Ordinary Shares will further dilute the holdings of current Shareholders and could adversely affect the market price of Ordinary Shares.<br><br>The ability of Overseas Shareholders to bring actions or enforce judgments against the Enlarged Group or its directors or officers may be limited. |

| Section E—Offer | | |
|---|---|---|
| **Element** | **Disclosure requirement** | **Disclosure** |
| E.1 | Total net proceeds and costs of the issue | The total net proceeds of the Rights Issue amount to approximately £1.7 billion. The total costs, charges and expenses (including fees and commissions) (excluding amounts in respect of VAT) payable by the Company in connection with the Rights Issue amount to approximately £31 million and in connection with the Acquisition are estimated to amount to approximately £82 million. The Company intends to pay for all expenses arising from, or in connection with, the Rights Issue. There are therefore no expenses to be charged to subscribers of New Ordinary Shares. |
| E.2a | Reasons for the Rights Issue/use of the proceeds | It is intended that the proceeds of the Rights Issue will be used towards financing the Acquisition, subject to certain conditions being met. If the Acquisition completes, the consideration to be received by Regal Stockholders on Completion will consist of US$3.6 billion (£2.6 billion) in cash representing an implied enterprise value of US$5.8 billion (£4.2 billion) (converted at an exchange rate of US$1:£0.7262).<br><br>The Acquisition will be funded through:<br><br>• £1.7 billion from the proceeds of the Rights Issue (net of expenses);<br><br>• up to US$4.0 billion from the Debt Facilities; and<br><br>• existing cash on balance sheet.<br><br>In the event that Admission of the New Ordinary Shares is effected but Completion does not occur, the Cineworld Directors' current intention is that the proceeds of the Rights Issue will be applied to reducing the Company's net indebtedness on a short-term basis while the Cineworld Directors evaluate alternative uses of the funds. If no such uses can be found, the Cineworld Directors will consider how best to return the proceeds to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for Cineworld and would be subject to applicable securities laws. |
| E.3 | Terms and conditions of the Rights Issue | The Company proposes to raise gross proceeds of approximately £1.7 billion through the Rights Issue. The New Ordinary Shares are being offered by way of rights to all Qualifying Shareholders on the basis of 4 New Ordinary Shares at 157 pence per New Ordinary Share for every 1 Existing Ordinary Share held and registered in their name at the close of business on the Record Date, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter. |

| | | |
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| | | The Rights Issue Price of 157 pence per New Ordinary Share represents a discount of approximately 72.1 per cent. to the Closing Price of an Existing Ordinary Share of 563.5 pence on 16 January 2018 (being the latest Business Day prior to the announcement of the Rights Issue) and a 34.1 per cent. discount to the Theoretical Ex-Rights Price based on that Closing Price.<br><br>The New Ordinary Shares will rank for all dividends declared, made or paid after the date of allotment and issue of the New Ordinary Issue Shares and otherwise *pari passu* with the Existing Ordinary Shares. Application will be made to the UKLA and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.<br><br>The offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.<br><br>Qualifying Non-CREST Shareholders with registered addresses in the United States or in any of the other Excluded Territories will not be sent Provisional Allotment Letters and Qualifying CREST Shareholders with registered addresses in the United States or in any other of the Excluded Territories will not have their CREST stock accounts credited with Nil Paid Rights, except where the Company and the Underwriters are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.<br><br>The Company has arranged for the Rights Issue to be underwritten in full pursuant and subject to the Underwriting Agreement to provide certainty as to the amount of capital to be raised. The Underwriting Agreement is not subject to any right of termination after Admission of the New Ordinary Shares (including in respect of any statutory withdrawal rights).<br><br>The Rights Issue is conditional on, among other things, (i) the passing of the Resolutions at the General Meeting; (ii) Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 5 February 2018 (or such later time and/or date as the Underwriters and the Company may agree, or as may be otherwise provided for pursuant to the terms of the Underwriting Agreement); and (iii) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission of the New Ordinary Shares) and not having been rescinded or terminated in accordance with its terms prior to Admission of the New Ordinary Shares. |

| | | |
|---|---|---|
| E.4 | Interests that are material to the issue/conflicting interests | Not applicable. There are no interests (including conflicts of interest) which are material to the Rights Issue or the Acquisition. |
| E.5 | Name of the offeror/lock-up agreements | Not applicable. The Rights Issue constitutes an offer of New Ordinary Securities by the Company. |
| E.6 | Dilution | A Qualifying Shareholder who sells or otherwise does not take up its, his or her Nil Paid Rights will experience an 80 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 80 per cent.) if the Rights Issue completes (assuming that no Ordinary Shares other than the New Ordinary Shares are issued prior to Completion). |
| E.7 | Estimated expenses charged to the investor | There are no commissions, fees or expenses to be charged to investors by the Company, except in the following circumstance. A Qualifying Non-CREST Shareholder who is an individual whose registered address is in the United Kingdom or any other jurisdiction in the EEA may elect to sell all of the Nil Paid Rights, or effect a Cashless Take-up, using the Special Dealing Service. Link Asset Services will charge a commission of one per cent. of the gross proceeds of sale of the Nil Paid Rights which are the subject of the sale, subject to a minimum of £20.00 per holding. |

# RISK FACTORS

*Any investment in Cineworld and Ordinary Shares (including New Ordinary Shares), Nil Paid Rights or Fully Paid Rights carries a number of risks. Prospective investors should review this document carefully and in its entirety (together with any documents incorporated by reference into it) and consult with their professional advisers. You should carefully consider the risks and uncertainties described below, together with all other information in this document and the information incorporated into this document by reference, before making any investment decision. Prospective investors should note that the risks relating to the Cineworld Group, its industry and the Ordinary Shares (including New Ordinary Shares), Nil Paid Rights and Fully Paid Rights summarised in the section of this document headed 'Summary' are the risks that the Board believes to be most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares (including New Ordinary Shares), Nil Paid Rights or Fully Paid Rights.*

*A number of factors affect the operating results, financial condition and prospects of each of Cineworld and Regal and, following Completion, will affect the Enlarged Group. This section describes risk factors considered to be material in relation to the Cineworld Group and the Regal Group as discrete groups based on information known at the date of this document. Each of these risks will continue to be relevant to the Enlarged Group following Completion.*

*However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known, or which are currently deemed immaterial, may also have an adverse effect on Cineworld's and Regal's and, following Completion, the Enlarged Group's operating results, financial condition or prospects. If any such risks were to materialise, the price of the Ordinary Shares could decline as a consequence and investors could lose all or part of their investment.*

*The information given is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under 'Forward-Looking Statements' on pages 43-44 of this document.*

## RISKS RELATING TO THE BUSINESS AND INDUSTRY IN WHICH CINEWORLD AND REGAL OPERATE AND, FOLLOWING THE ACQUISITION, THE ENLARGED GROUP WILL OPERATE

***Cineworld and Regal depend and, following the Acquisition, the Enlarged Group will depend, on third party film production and performance.***

Most of the revenue of Cineworld and Regal is, and expected to continue to be, generated by box office sales, which represented 62.8 per cent. and 64.5 per cent. of the revenue of Cineworld and Regal, respectively, in FY 2016. Cineworld and Regal license newly released, first-run films and, as a result, their businesses and results of operations depend heavily on the continued availability, diversity, quantity, appeal and performance of films in the markets in which Cineworld and Regal operate.

The revenue generated by Cineworld and Regal from box office sales may be materially adversely affected by a number of factors relating to the films available, including:

- there being fewer or no major films to drive cinema admissions;
- a major film not performing at the box office in line with expectations;
- a major film being released late;
- disruption in the production of films;
- a reduction in the marketing efforts of the major studios and distributors;
- major films being released at the same time as competing films or other events; or

- major films not being released during the key summer and year-end holiday seasons or, in the case of children's films, during the school holidays.

The occurrence of some or all of these factors could have a material adverse effect on the business and results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

In addition, a significant change in the type and breadth of films offered by film studios may adversely affect admission levels of various demographic bases of the film-going audience, which could have an adverse effect on the business and results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

Furthermore, the availability of local film product plays an increasingly important role in box office success in certain countries in which Cineworld operates. A lack of locally produced films could have a material adverse effect on the business and results of operations of Cineworld.

***Cineworld and Regal are and, following the Acquisition, the Enlarged Group will be largely dependent on third party film distributors and on existing distribution agreements between film studios and their own distributors to license films.***

Cineworld and Regal rely and, following the Acquisition, the Enlarged Group will rely on other third party distributors of films, over whom they have no control, to obtain the rights to some of the films that they exhibit. Film distributors license films to cinema operators, including Cineworld and Regal. The film distribution business is dominated by a number of Hollywood film studios and is highly concentrated in the United States; films distributed by Regal's top ten film distributors accounted for approximately 95 per cent. of Regal's admissions during FY 2016.

The distribution of films in the United States is in large part regulated by federal and state antitrust laws and has been the subject of several antitrust cases. Consent decrees in the United States resulting from these cases effectively require major film distributors in the United States to offer and license films on a film-by-film and cinema-by-cinema basis, rather than through ongoing distribution agreements that are permitted in other jurisdictions. Consequently Regal and, following the Acquisition, the Enlarged Group, typically must negotiate for its distribution licences on a film-by-film basis with respect to its business in the United States. As a result, Cineworld, Regal and, following the Acquisition, the Enlarged Group need to maintain good relations with major studio film distributors.

If Cineworld, Regal and, following the Acquisition, the Enlarged Group are unable to obtain a licence from one or more major film distributors for a particular territory or to do so on favourable terms, or if one or more agreements or licences is terminated, it could have a material adverse effect on their results of operations.

***Any reduction to or elimination of the "release window" could increase the attractiveness of alternative film delivery methods and may decrease the box office revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group.***

If film studios reduce or eliminate the period between the film being released at the cinema and the film being released through other film delivery methods (referred to as the "release window"), which varies from country-to-country and film-to-film, this could lead to increased competition from alternative film delivery methods, such as network, rental, cable and satellite television, in-home television (2D and 3D), DVDs and Blu-Ray, video-on-demand, pay-per-view services, internet streaming and download for Cineworld, Regal and, following the Acquisition, the Enlarged Group. In particular, competition from internet streaming and downloads may increase as broadband and mobile technology improve and download speeds increase. The continued development of existing and new technology may also introduce film delivery methods with which Cineworld, Regal and, following the Acquisition, the Enlarged Group, will have to compete.

Any reduction in, or elimination of, the release window which leads to increased competition from these alternative film delivery methods could reduce cinema admissions, limit the prices cinemas can charge for admission and adversely affect the box office sales of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***Revenue from retail sales is an important contributor to the profits of Cineworld and Regal and, following the Acquisition, will be an important contributor to the profits of the Enlarged Group.***

Retail sales of food and drink represent the largest source of revenue after box office receipts for Cineworld and Regal and, following the Acquisition, are expected to continue to represent the second-largest source of revenue for the Enlarged Group. Retail sales generally fluctuate in line with admissions and the type of film on show, and admissions may not increase or may not be maintained at the current level. Moreover, retail spend per person may decrease due to changes in consumer preferences, decreased disposable income or other economic and cultural factors, such as the perceived disparity between the price at which such items are sold in cinemas as compared to external vendors, which are often located in close proximity to cinemas. In addition, if any of the governments in the territories in which Cineworld, Regal or, following the Acquisition, the Enlarged Group is active chooses to, as a result of public concerns over diet and health issues, implement restrictions on the marketing, advertising, sale or consumption of the food and drink that are sold in cinemas (for example, restrictions on portion size) and Cineworld, Regal or, following the Acquisition, the Enlarged Group are unable to respond effectively with alternatives, this could lead to a decline in retail sales. A decrease in retail revenue could have a material adverse effect on the business and results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***Competition from other leisure and entertainment attractions or changes in consumer behaviour may decrease the box office revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group.***

Cinemas compete for customers against other leisure and entertainment attractions, including television, live theatre, concerts, amusement parks, sporting events, restaurants and other family or social leisure attractions. If these activities improve in value, frequency or attractiveness, or the ageing of the population or changes in fashions and tastes increase the attractiveness of such activities, the share of the public’s leisure time and disposable income spent at the cinema could decrease, resulting in lower admissions and lower retail sales and, as a result, box office sales and other associated revenues of Cineworld, Regal and, following the Acquisition, the Enlarged Group. In addition, if there is any reduction in consumer confidence or in levels of disposable income in general, this may affect the choices that consumers make between the leisure and entertainment attractions on offer, leading to increased competition.

In addition, cinemas also face competition from major cultural or sporting events. The occurrence of such events in the territories in which Cineworld, Regal and, following the Acquisition, the Enlarged Group are active could have a negative effect on the box office sales and other associated revenues of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***Economic conditions and other factors outside Cineworld’s and Regal’s control may adversely affect consumer confidence and/or consumer spending decisions which may adversely impact the businesses of Cineworld, Regal and, following the Acquisition, the Enlarged Group.***

Cineworld and Regal depend and, following the Acquisition, the Enlarged Group will depend on consumers spending discretionary funds on leisure activities. The prevailing global economic climate, inflation, levels of employment, real disposable income, salaries, wage rates, interest rates, consumer confidence and consumer perception of economic conditions can all influence customer spending decisions adversely. While admissions to Cineworld cinemas have not historically been materially adversely affected by downturns in the global economic climate, there can be no assurance that the foregoing events or factors will not adversely impact admissions levels and the business, results of operations and financial condition of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

Cineworld has and, following the Acquisition, the Enlarged Group will have substantial operations in the United Kingdom and as a result will continue to be exposed to macro-economic conditions in the United Kingdom. These conditions may be affected by a variety of domestic and international factors, including the result of the referendum in the United Kingdom in June 2016, in which a majority of voters voted in favour of the United Kingdom withdrawing from the EU (commonly referred to as **Brexit**). The terms of the withdrawal will be negotiated over a period which may extend at least until March 2019. As a result, there is significant uncertainty about the future relationship between the United Kingdom, the EU and its other Member States. If the economic conditions or consumer perception of economic conditions in the United Kingdom weaken as a result of Brexit, this may adversely influence customer spending decisions and adversely impact admissions levels and the business, results of operations and financial condition of Cineworld and, following the Acquisition, the Enlarged Group.

***An increase in piracy of films may decrease the box office revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group or adversely affect relationships with distributors.***

The cinema business is subject to piracy of films. An increase in piracy of films may decrease cinema admissions and reduce ticket prices. This risk is becoming greater as a result of technological advances, which have improved the quality of copies pirated by recording from a cinema screen. An increase in the availability, popularity and quality of pirated films may result in film studios reducing their investment in films, resulting in the release of fewer films and lower quality films with less commercial appeal, or the use of alternative delivery channels, such as digital downloads, which could adversely affect cinema admissions. In addition, if Cineworld, Regal or, following the Acquisition, the Enlarged Group are judged by distributors not to have taken reasonable measures to prevent piracy, this could adversely affect their relationships with distributors.

An increase in piracy could therefore materially adversely affect the business and results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***The business of Cineworld and Regal is and, following the Acquisition, the business of the Enlarged Group will be subject to significant competitive pressures.***

Cineworld's and Regal's cinemas are subject to competition in the geographic areas in which they operate. Competitors may be national, regional or independent cinema operators. Competition among cinema companies arises in the following areas:

- *Acquiring attractive cinema sites.* Cineworld and Regal compete with other cinema operators and other businesses in their efforts to locate and acquire attractive sites for their cinemas. Competitors have built or may be planning to build cinemas in certain areas where Cineworld and Regal operate, which could result in excess capacity and increased competition for customers. Competition for new and desirable sites is strong and Cineworld and Regal cannot and, following the Acquisition, the Enlarged Group will not be able to, prevent competing cinema operators from opening cinemas that may reduce their admissions levels.
- *Acquiring cinemas.* Each of Cineworld and Regal experience competition from other cinema operators when acquiring new cinemas, and may not be able to acquire such cinemas at reasonable prices or do so on favourable terms. As a result, Cineworld, Regal and, following the Acquisition, the Enlarged Group may not succeed in acquiring cinemas or may have to purchase cinemas on comparatively unfavourable terms.
- *Attracting customers.* The competition for customers is dependent upon factors such as the location (including the size and demographics of the catchment area) and number of cinemas, screens and seating capacity in a given market, the type of screens (including 3D or super-sized screens equivalent to IMAX screens), pricing, the popularity of films screened, film show times availability, customer service quality and the comfort and quality of the cinemas (including quality of projection and sound equipment). Competitors of Cineworld and Regal and, following the Acquisition, the Enlarged Group may seek to increase the number of screens that they operate or use pricing or promotions to attract customers away from the cinemas of Cineworld and Regal.
- *Licensing films.* Cineworld believes that the principal competitive factors with respect to film licensing include licensing terms, number of screens available for a particular film, revenue potential, the location and condition of an operator's cinemas and demographics. Any material consolidation of competitors could weaken the negotiating position with distributors of Cineworld, Regal and, following the Acquisition, the Enlarged Group. Cinema operators with operations in more markets, or with more screens in a particular market, than Cineworld, Regal and, following the Acquisition, the Enlarged Group, may be able to leverage their scale to obtain more favourable licensing terms.

If Cineworld, Regal and, following the Acquisition, the Enlarged Group are unable to compete effectively with their competitors, it could have a material adverse effect on their business and results of operations.

***Advertising revenues contribute to the profits of Cineworld and Regal and, following the Acquisition, will contribute to the profits of the Enlarged Group. A reduction in admissions may lead to a decrease in advertising revenues.***

Advertising revenues account for a portion of the profits of Cineworld and Regal and, following the Acquisition, will account for a portion of the profits of the Enlarged Group. Advertising revenue is partially linked to the level of admissions and the number of cinemas, and as such may decrease in the event that admissions do not meet a specified threshold. Advertising revenue may also be affected by overall demand for advertising and competitive pressure from other end-markets for a share of advertising budgets. In addition, advertising revenue may be adversely affected by increased demand for alternative means of advertising, such as via mobile devices or on social media. Any substantial decline in the advertising revenue of Cineworld, Regal and, following the Acquisition, the Enlarged Group could have a material adverse effect on their business and results of operations.

***Cineworld and Regal are and, following the Acquisition, the Enlarged Group will be subject to uncertainties related to new technologies.***

To compete with other cinema exhibitors, Cineworld, Regal and, following the Acquisition, the Enlarged Group may have to adopt technical advancements in sound and projection technologies, and satisfy changing demands of audiences regarding comfort and amenities. Changes in film production may also require changes to equipment. As a result of any such change, Cineworld, Regal and, following the Acquisition, the Enlarged Group may incur substantial expenses, which could have an adverse effect on their business and results of operations.

***Security breaches and other disruptions could compromise the information of Cineworld, Regal and, following the Acquisition, the Enlarged Group and expose them to liability, which would cause their business and reputation to suffer.***

In the ordinary course of their business, Cineworld and Regal collect and store sensitive data, including intellectual property (such as the films which they are showing), their proprietary business information and that of their customers, suppliers and business partners, and personally identifiable information of their customers and employees, in their data centres and on their networks. This includes, for example, data tied to loyalty programmes and credit, debit and charge card information. The secure processing, maintenance and transmission of this information is critical to the operations and business strategy of Cineworld and Regal. Despite their security measures, the information technology systems and infrastructure of Cineworld and Regal may be vulnerable to attacks by hackers or may be breached due to employee error, malfeasance or other disruptions. Any such breach could compromise the networks of Cineworld and Regal and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of the operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group and the services they provide to customers, and/or damage to their reputation, which could adversely affect their business, competitive position and results of operations.

***Cineworld and, following the Acquisition, the Enlarged Group will be exposed to foreign currency exchange rate risk that could affect results of operations and comparability of results between financial reporting periods.***

Cineworld's and, following the Acquisition, the Enlarged Group's business operations are subject to risks associated with fluctuations in currency exchange rates. Cineworld's reporting currency is Pounds Sterling. A large portion of Cineworld's revenue, assets and liabilities is denominated in currencies other than Pounds Sterling, including the euro, Israeli shekel, Polish złoty, Hungarian forint, Bulgarian lev, Romanian leu and Czech koruna. Regal's revenue, assets and liabilities are denominated in US dollars. Changes in exchange rates will affect the value of the reported earnings and the value of those assets and liabilities denominated in foreign currencies, and may also impact on operating expenses where such operating expenses are in a currency other than that in which financing is obtained or those in which revenue is generated. Following the Acquisition, the Enlarged Group will be exposed to a fluctuation in the exchange rate between Pounds Sterling and the US dollar.

***Cineworld and Regal rely and, following the Acquisition, the Enlarged Group will rely on key members of their senior management.***

Cineworld and Regal benefit from senior management teams with many years of experience in the cinema industry. A loss of one or more of the members of these management teams without adequate replacement could therefore have a material adverse effect on the business of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***Profitability may be reduced due to increases in labour and energy costs or other overheads.***

Cineworld's and Regal's operating costs include labour and energy costs as well as other overheads. These costs may increase more than management currently anticipates, for example, due to an increase in the level of the mandatory minimum wage or prevailing wage rates, or increased market fluctuations in the price of gas and electricity, which have increased significantly in recent years in all the countries in which Cineworld and Regal operate.

If the cost of energy or labour were to rise further, it could have a material adverse effect on the business and results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group, particularly if they are not able to implement measures to mitigate such cost increases in each of the countries in which they operate.

***Abnormal, severe or unseasonable weather conditions may adversely affect the results of operations of Cineworld, Regal and, following the Acquisition, the Enlarged Group.***

Historically, cinema admissions have been affected by periods of abnormal, severe or unseasonable weather conditions. Prolonged abnormal, severe or unseasonable weather that coincides with the release of a major film could adversely affect admissions and hence box office and retail sales.

***Cineworld, Regal and, following the Acquisition, the Enlarged Group may not realise the expected benefits from planned operational improvements or revenue enhancing capital expenditure initiatives.***

In order to improve the efficiency of operations, Cineworld and Regal have implemented and will, following the Acquisition, continue to implement certain operational improvement initiatives, including the ability to book online via mobile ticketing applications. Furthermore, Cineworld and Regal have invested and, following the Acquisition, the Enlarged Group will plan to continue to invest in revenue-enhancing capital expenditure, including expanding premium auditorium offerings with luxury reclining seating. Cineworld, Regal and, following the Acquisition, the Enlarged Group cannot give any assurance as to the level of expected cost savings or revenue increases that will be realised or that the operating performance will improve as a result of past, current and planned operational improvement and revenue enhancing capital expenditure initiatives. Cineworld, Regal and, following the Acquisition, the Enlarged Group may also be subject to significant cost increases beyond their control, such as increases in statutory minimum wage requirements, film rental costs, rent reviews, energy prices or the cost of goods sold, which may cancel out or exceed any benefits from operational improvements or capital expenditure initiatives.

***Cineworld, Regal and, following the Acquisition, the Enlarged Group may be subject to more merger approvals or foreign investment review in connection with future acquisition opportunities.***

In light of Cineworld's existing presence in the United Kingdom, Ireland, Poland, Israel, Hungary, the Czech Republic, Bulgaria, Romania and Slovakia and Regal's presence in the United States, pursuit of future acquisition opportunities that would increase the number of their cinemas, whether through acquisitions of competitors or of individual sites, may result in the requirement to obtain merger approvals from the relevant competition authorities under antitrust regulations. In addition, such future acquisition opportunities may be subject to governmental oversight and review under foreign investment review regulations, including by the Committee on Foreign Investment in the United States (**CFIUS**). If any such merger approvals or foreign investment clearances are required, Cineworld, Regal and, following the Acquisition, the Enlarged Group may be required to dispose of cinemas in order to complete such acquisitions or may not succeed in acquiring other companies or cinema operations.

***Cineworld and Regal are and, following the Acquisition, the Enlarged Group will be subject to risks relating to leases.***

A substantial number of Cineworld's and Regal's cinemas are located on property that is leased, and rental costs represent a substantial portion of their cost of sales. A significant number of such leases are long-term. Such leasehold interests are generally subject to periodic rent reviews, lease expirations, termination for default and renegotiations. As a result, Cineworld and Regal are and, following the Acquisition, the Enlarged Group will be, susceptible to changes in the property rental market, such as increases in market rents, which they may not be able to pass on to customers in the form of higher prices. Any such rental increases may negatively impact on Cineworld's, Regal's and, following the Acquisition, the Enlarged Group's profit margins and could have a material adverse effect on their business, results of operations and financial condition. In addition, it may not be possible to terminate a lease on an underperforming site before the initial term expires, even if operations cease on such site, which could limit the ability of Cineworld, Regal and, following the Acquisition, the Enlarged Group to expand in other locations and which could adversely affect their profitability.

***Changes in privacy laws could adversely affect the ability of Cineworld and, following the Acquisition, the Enlarged Group to market products effectively.***

Cineworld's and, following the Acquisition, the Enlarged Group's cinemas rely on a variety of direct marketing techniques, including email marketing. Any expansion of existing or new laws and regulations regarding marketing, solicitation or data protection, including as a result of the implementation of the General Data Protection Regulation, could adversely affect the continuing effectiveness of email and other marketing techniques and could result in changes to the marketing strategy. If this occurs, Cineworld may not be able to develop adequate alternative marketing strategies, which could adversely impact admissions levels and adversely affect the business, results of operations and financial condition of Cineworld and, following the Acquisition, the Enlarged Group.

***Cineworld and Regal are and, following the Acquisition, the Enlarged Group will be subject to various government regulations, and failure to comply with existing or future government regulations could damage their reputation, subject them to regulatory actions, materially reduce their revenues or otherwise adversely affect their business.***

The operation of a cinema exhibition business is subject to various EU, national, and local government laws and regulations, including regulation under environmental, food and drink retailing, sanitation, labour and immigration laws, minimum wage, overtime and work authorisation requirements.

Cineworld and Regal also sell food and drink, including alcohol in some locations, the sale of which involves legal, reputational and other risks. For example, Cineworld and Regal may need to recall food products if they become contaminated or, as resellers of food, may be liable if the consumption of any of the products they sell causes illness or injury. Claims of illness, whether or not traced to Cineworld's or Regal's cinemas, relating to food quality or handling at retail stands could also cause material loss of admissions. In addition, any negative publicity relating to these and other health-related matters might affect consumers' perceptions of Cineworld's and Regal's cinemas or cinemas in general, reduce admissions materially, and cause damage to the reputation of, and loss of consumer confidence in, Cineworld, Regal and, following the Acquisition, the Enlarged Group.

In addition, Cineworld is routinely audited to assess compliance with all cinema and retail operation requirements, including compliance with age restrictions as dictated by film ratings that are determined by film classification authorities. The licences of Cineworld and, following the Acquisition, the Enlarged Group may not be renewed if they fail to pass such audits.

Regal's cinemas must comply with the US Americans with Disabilities Act of 1990 (**ADA**) to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requires that public accommodations "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or "technically infeasible" for alterations. Compliance with the ADA and similar legislation could result in additional costs and non-compliance with the ADA could result in the imposition of injunctive relief, fines, award of damages to private litigants and additional costs to remedy such non-compliance.

If Cineworld, Regal and, following the Acquisition, the Enlarged Group are found to be in breach of applicable laws, rules and regulations, they could face regulatory fines, be required to pay damages to private litigants, have their licences revoked and/or their cinemas closed for a period of time. Further, the cost of addressing or remedying any such non-compliance could be substantial. Moreover, adverse publicity could damage the reputation of Cineworld, Regal and, following the Acquisition, the Enlarged Group which could negatively impact their revenue. New laws or amendments to existing laws could also require significant unanticipated expenditures or impose restrictions on the use of locations. Any of the foregoing could have a material adverse effect on the business, results of operations and financial condition of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***Acquired businesses may not perform as expected or may be difficult to integrate.***

Cineworld and, following the Acquisition, the Enlarged Group may grow, in part, through acquisitions and joint ventures, which involve various risks and uncertainties, particularly if such acquisitions are significant. For example, the acquired businesses may fail to achieve in the near or long-term the financial results projected or the strategic objectives of the relevant acquisition (such as cost savings and combination benefits) may not be achieved; an acquisition may involve assuming unknown claims and liabilities; there may be difficulties in imposing adequate financial and operating controls on the acquired companies and their management; there may be difficulties in preparing and consolidating financial statements of acquired companies in a timely manner; and/or additional debt, amortisation expenses or acquisition-related impairments may be incurred as a result of the cash expenditure related to such acquisitions. Other risks include the diversion of management’s and other employees’ time and attention from other business concerns, cultural differences, and the particular economic, political and regulatory risks associated with specific countries.

There may also be difficulties in integrating and managing acquired businesses effectively and handling future growth. This will depend upon a number of factors, including the size of the acquired businesses, the quality of the acquired management, the nature and geographical locations of their operations, and the resulting complexity of integrating their operations. This risk is greater in the case of acquisitions in markets in which Cineworld or the Enlarged Group have limited or no prior experience.

In addition, Cineworld and, following the Acquisition, the Enlarged Group may choose to enter into joint ventures, business alliances or collaboration agreements, which could involve the same or similar risks and uncertainties as are involved in acquisitions. Joint ventures generally involve a lesser degree of control over business operations, which may in the future present greater financial, legal, operational and/or compliance risks.

If Cineworld and, following the Acquisition, the Enlarged Group are unable to effectively manage risks associated with acquisitions and joint ventures, the benefits anticipated as a result of such transactions may not be realised, which may have a material adverse effect on Cineworld’s and, following the Acquisition, the Enlarged Group’s business, results of operations and financial condition.

***The terms of the financing arrangements of Cineworld, Regal and, following the Acquisition, the Enlarged Group may limit their commercial and financial flexibility.***

The commercial and financial flexibility of Cineworld and Regal is restricted by certain covenants under the terms of their existing financing facilities and, following the Acquisition, the Enlarged Group will be restricted by certain covenants under the terms of the Debt Facilities. These covenants include customary restrictions relating to mergers and acquisitions, the granting of security over or disposal of assets, the incurrence of financial indebtedness, guarantees and indemnities, the extension of loans or credit by members of the Group and derivative transactions. Any inability to exploit commercial opportunities as a result of such covenants may have a material adverse effect on Cineworld, Regal or, following the Acquisition, the Enlarged Group.

Following the Acquisition, the Enlarged Group will have substantial debt obligations and a higher financial leverage than Cineworld has operated with in the past. As a result, the Enlarged Group will have correspondingly higher debt service charges. Such charges could also increase due to higher interest rates, whether as a result of market-driven fluctuations to floating interest rates or otherwise and more stringent borrowing requirements, whether mandated by law or required by lenders, and adversely affect the Enlarged Group's profitability, particularly if any hedging instruments used are not completely effective and the Enlarged Group is not able to extend or renew such instruments.

***The Enlarged Group may require additional funding for further capital investment or growth plans over the long term, and such funding may result in further restrictions on the Enlarged Group's business operations.***

Although Cineworld has no current plans or anticipated need for additional financing beyond the matters set out in this document, over the longer term, the Enlarged Group may seek additional financing to provide further capital to maintain or expand its cinema estate or fund new acquisitions. Cineworld cannot predict with certainty whether such financing would be available on favourable terms, or at all, to the Enlarged Group.

The Enlarged Group may raise additional funds by issuing equity, equity-linked securities or debt securities, or by borrowing from banks or other resources. It cannot ensure that it will be able to obtain any additional financing on terms that are acceptable to it, or at all. If the Enlarged Group fails to obtain additional financing on acceptable terms, it may not be able to implement fully new investment or growth plans. Additional debt financing may restrict the commercial and financial flexibility of the Enlarged Group through additional debt service obligations or restrictive covenants. Any of the foregoing may adversely affect the Enlarged Groups business, prospects and results of operations.

***Additional risks may arise for Cineworld, Regal and, following the Acquisition, the Enlarged Group as a result of civil unrest, terrorism or other events beyond their control.***

Cinema businesses may be affected by civil unrest or terrorist acts which could cause the public to avoid public cinemas. This could be the case as a result of incidents in the locations in which Cineworld, Regal and, following the Acquisition, the Enlarged Group operate or in other areas that increase general unease in the locations in which they operate. Road closures or reduced availability of public transport, whether as a result of such events or more generally, can also adversely impact box office sales.

In addition, Cineworld and, following the Acquisition, the Enlarged Group may 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.

Any of the foregoing could materially adversely affect the results of operations and financial condition of Cineworld, Regal and, following the Acquisition, the Enlarged Group.

***Uninsured and underinsured losses.***

Each of Cineworld and Regal use, and, following the Acquisition, the Enlarged Group will use its discretion, having taken external, independent, specialist advice, in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets at market standard costs and on customary terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets.

***Regal and, following the Acquisition, the Enlarged Group could be negatively affected by certain ongoing antitrust investigations or related matters.***

Regal is currently the subject of an investigation by the United States Department of Justice regarding potentially anticompetitive conduct and coordination among National CineMedia, LLC (**NCM**), AMC Entertainment, Inc. (**AMC**) and Regal and/or Cinemark, Inc (**Cinemark**). Additionally, it is the subject of investigations by various state attorneys general relating to its investments in various joint ventures, including NCM, as well as movie "clearances" whereby film distributors do not license the rights to exhibitors to play the same first-run feature length films at the same time in the same cinema release zones.

These actions may result in Regal and, following the Acquisition, the Enlarged Group incurring considerable legal and other costs (including fines and penalties), management's time and resources being diverted and damage to Regal's and, following the Acquisition, the Enlarged Group's reputation and brand image. Any of the foregoing could materially adversely affect the results of operations and financial condition of Regal and, following the Acquisition, the Enlarged Group.

***The Cineworld Group and, following the Acquisition, the Enlarged Group may suffer from increased charges, financial loss, penalties and reputational damage if tax rates, tax and unclaimed property laws or a tax or other authority's published practice change, or if the Cineworld Group and, following the Acquisition, the Enlarged Group fails to manage tax or unclaimed property risks adequately.***

Changes in tax rates, tax laws or a tax or other authority's published practice, or changes in or interpretation of the law or a tax or other authority's published practice, or any failure to manage adequately tax risks or risks related to unclaimed property laws or the application thereof could result in increased charges, financial loss, penalties and reputational damage, which may have an adverse effect on the Cineworld Group's and, following the Acquisition, the Enlarged Group's financial condition. The Cineworld Group and, following the Acquisition, the Enlarged Group cannot predict the impact of such future changes on its products or business. Such changes and/or the introduction of new tax legislation or legislation relating to unclaimed property could have a material adverse effect on the Cineworld Group's and, following the Acquisition, the Enlarged Group's business and the Cineworld Group's and, following the Acquisition, the Enlarged Group's results of operations and financial condition.

***Cineworld, Regal and, following the Acquisition, the Enlarged Group are subject to taxation which is complex and often requires subjective determinations.***

Cineworld and Regal are subject to many different forms of taxation including but not limited to corporate income tax, withholding tax, VAT, stamp duty and social security and other payroll related taxes. Tax law and administration is complex and often requires subjective determinations. The tax authorities may not agree with the determinations that are made with respect to the application of tax law. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material effect on the business, results of operations or financial condition.

## RISKS RELATING TO THE ACQUISITION

***The Acquisition is conditional upon certain conditions, which may not be satisfied and, as the Rights Issue is not conditional on Completion, if the Acquisition does not complete, but the Rights Issue does, the proceeds of the Rights Issue will be retained by Cineworld.***

Completion under the Merger Agreement is subject to, and can only occur upon satisfaction or waiver of, a number of conditions, including: (i) approval of the Resolutions by Shareholders at the General Meeting; (ii) the approval of the Merger Agreement by Regal Stockholders; (iii) Admission of the New Ordinary Shares having occurred; and (iv) subject to certain exceptions, no material adverse effect having occurred in respect of the Regal Group. Although Regal and Cineworld have obligations in relation to the satisfaction of the conditions to the Acquisition, these conditions may not be fulfilled (or waived, where capable of being waived) and the Acquisition may not be completed. Cineworld has agreed to pay a termination fee of US$20,150,963 to Regal if the Merger Agreement is terminated in certain circumstances, including where the Board withholds, withdraws or adversely modifies its recommendation that Shareholders approve the Acquisition and the Rights Issue, Shareholders do not approve the Acquisition or the Rights Issue, the Rights Issue or the Debt Financing do not proceed as planned or in the event of a material breach of the Merger Agreement by Cineworld.

If the Rights Issue is completed but the Acquisition is not, Cineworld will have raised proceeds in the Rights Issue that will not subsequently be used to pay the purchase price for the Acquisition. In this event, the Cineworld Directors' current intention is that the proceeds of the Rights Issue will be applied to reducing the Company's net indebtedness on a short-term basis while the Cineworld Directors evaluate alternative uses of the funds. If no such uses can be found, the Cineworld Directors will consider how best to return the proceeds to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for Cineworld and would be subject to applicable securities laws.

***Acquisition-related costs may exceed Cineworld's expectations.***

Cineworld expects to incur costs in relation to the Acquisition, including integration and post-closing costs in order to successfully combine the operations of Cineworld and Regal. The actual costs of the integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, Cineworld will incur legal, accounting and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition is completed.

The Cineworld Directors believe that integration and Acquisition costs will be broadly in line with the realisation of the combination benefits achievable in the first year following Completion as a result of the Acquisition, although these combination benefits may not be achieved in the short-term or at all, particularly if the Acquisition is delayed or is not completed. In addition, the costs incurred by the Enlarged Group in complying with the ongoing United Kingdom company and listing requirements are likely to exceed the costs currently incurred by Cineworld and increased costs are likely to arise from the issue of the New Ordinary Shares. These factors could materially adversely affect the Enlarged Group's results of operations.

***The Enlarged Group may experience difficulties in integrating the existing businesses carried on by Cineworld and Regal.***

Cineworld and Regal currently operate and, until Completion, will continue to operate, as two separate and independent businesses. The Acquisition will lead to the integration of these two businesses and the success of the Enlarged Group will depend, in part, on the effectiveness of the integration process and the ability of the Enlarged Group to realise the anticipated benefits and cost savings from combining the respective businesses. The Cineworld Directors intend to continue to independently operate the core businesses of Cineworld and Regal as they are currently operated. Some of the potential challenges in combining the businesses may not become known until after Completion, in particular due to the substantial increase in the scale of the combined operations of the Enlarged Group.

The process of integrating the businesses could potentially lead to the interruption of operations of the businesses, or a loss of customers or key personnel, which could have an adverse effect on the business, results of operations or financial condition of the Enlarged Group. Any delays or difficulties encountered in connection with the integration of the businesses could also lead to reputational damage to the Enlarged Group.

***The Enlarged Group may not realise, or it may take longer than expected to realise, the perceived benefits and combination benefits of the Acquisition.***

The Enlarged Group may fail to achieve the anticipated benefits and combination benefits that Cineworld expects will arise as a result of the Acquisition. Cineworld believes that the consideration for the Acquisition is justified in part by the business growth opportunities, margin benefits, cost savings and other combination benefits it expects to achieve by combining its operations with Regal. The anticipated combination benefits have been supported by a conservative benefit and cost model, in conjunction with the experience of Cineworld management from prior transactions. However, these expected benefits may not develop, and other assumptions upon which Cineworld determined the consideration payable for Regal may prove to be incorrect. To the extent that Cineworld incurs higher integration costs or achieves lower margin benefits or fewer cost savings than expected, the Enlarged Group's results of operations and financial condition, and Cineworld's share price may suffer. It could also adversely affect the services that each of Cineworld and Regal currently provide, and those that the Enlarged Group will provide going forward. This could have an adverse effect on relationships with customers, film distributors, employees, suppliers and other market participants.

***Risks of executing the Acquisition could cause the market price of Cineworld Ordinary Shares to decline.***

The market price of Ordinary Shares may decline as a result of the Acquisition if, among other reasons, the integration of Regal's business is delayed or unsuccessful, Cineworld does not achieve the expected benefits of the Acquisition as rapidly or to the extent anticipated or at all, the effect of the Acquisition on Cineworld's financial results is not consistent with the expectations of investors, or Shareholders sell a significant number of Ordinary Shares after Completion.

**RISKS RELATING TO THE RIGHTS ISSUE AND AN INVESTMENT IN ORDINARY SHARES**

***The value of an investment in New Ordinary Shares may be subject to material fluctuations and may not reflect the underlying asset value.***

The market price of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The fluctuations could result from national and global economic and financial conditions, market perceptions of Cineworld and the Enlarged Group and other factors and events, including but not limited to regulatory changes affecting Cineworld's or the Enlarged Group's operations, variations in Cineworld's or the Enlarged Group's financial results, business developments of Cineworld or the Enlarged Group and/or their competitors and the liquidity of Cineworld or the financial markets. Moreover, the financial results and prospects of Cineworld or the Enlarged Group may be below the expectations of market analysts and investors from time to time. Any of these events could result in a decline in the market price of the Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares.

***The Major Shareholder will retain a significant interest in the Company following Admission and Completion and its interests may differ from those of other Shareholders.***

The Major Shareholder has agreed to subscribe in full to its pro rata entitlement in the Rights Issue to maintain its shareholding in Cineworld and, following Completion, the Enlarged Group. As a result, the Major Shareholder will continue to be interested in 27.97 per cent. of the Company's issued share capital. The interests of the Major Shareholder and other Shareholders may not be aligned. Following Completion, the Major Shareholder will continue to control 27.97 per cent. of the voting rights in the Company, which means that it will be able to exercise control over all matters requiring a special resolution of the Company, including an amendment of the Company's Articles.

***Future substantial sales of Ordinary Shares, including by the Major Shareholder, or the perception that such sales might occur, could depress the market price of the Ordinary Shares.***

The Major Shareholder holds, and following the Acquisition, will hold, 27.97 per cent. of the Ordinary Shares and could, like other Shareholders, sell such Ordinary Shares. Such sales, or the perception that such sales could occur, may materially and adversely affect the market price of the Ordinary Shares. The Major Shareholder will pledge up to all of its Ordinary Shares in connection with a margin loan facility. In the event that this security is enforced, such Ordinary Shares may be sold. This may make it more difficult for Shareholders to sell their Ordinary Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue additional equity securities.

Any of the foregoing may depress the market price of Ordinary Shares and reduce the interest of the Major Shareholder in Cineworld or, following the Acquisition, the Enlarged Group and impact on the corporate governance of Cineworld and, following the Acquisition, the Enlarged Group.

***Re-admission may not occur when expected***

It is expected that Admission of the New Ordinary Shares (nil paid) will become effective, and that dealings in the New Ordinary Shares (nil paid) on the London Stock Exchange will commence, at 8.00 a.m. on 5 February 2018. A further application for Re-admission will be made prior to Completion. Re-admission is subject to the approval (subject to satisfaction of any conditions which are attached to such approval) of the UKLA. There can be no guarantee that any conditions to which Re-admission is subject will be met or that the UKLA will approve Re-admission. See the section of this document entitled "Expected Timetable of Principal Events" for more information on the expected dates of Re-admission.

***The market price for Ordinary Shares may decline below the Rights Issue Price.***

The public trading market price of the New Ordinary Shares may decline below the Rights Issue Price for the New Ordinary Shares. Should that occur, Shareholders who exercise their rights in the Rights Issue will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the Rights Issue Price for those shares. Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer them. If the public trading market price of the Ordinary Shares declines below the Rights Issue Price, investors who have acquired any such Nil Paid Rights in the secondary market will suffer loss as a result.

***An active trading market in the Nil Paid Rights may not develop.***

An active trading market on the London Stock Exchange in the Nil Paid Rights may not develop during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights price may be volatile and subject to the same risk. The volatility of the price of Ordinary Shares may also magnify the price volatility of the Nil Paid Rights.

***Qualifying Shareholders who do not, or who are not permitted to, acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of Cineworld.***

If Qualifying Shareholders do not, or are not permitted under the terms of the Rights Issue to, take up their entitlements under the Rights Issue, their proportionate ownership and voting interests in Cineworld will be reduced and the percentage that their Ordinary Shares will represent of the total issued share capital of Cineworld will be reduced accordingly. Even if any such Qualifying Shareholder elects to sell its unexercised Nil Paid Rights or such Nil Paid Rights are sold on its behalf, it may not receive any consideration, or any consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of Cineworld's share capital that may be caused as a result of the Rights Issue.

***Any future issue of Ordinary Shares will further dilute the holdings of current Shareholders and could adversely affect the market price of Ordinary Shares.***

Other than pursuant to the Rights Issue and the Acquisition, Cineworld has no current plans for an offering of Ordinary Shares. Cineworld may, however, decide to offer additional Ordinary Shares in the future. If Shareholders did not take up any such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Cineworld would be reduced. An additional offering, or significant sales of Ordinary Shares by Shareholders, could have a material adverse effect on the market price of Ordinary Shares as a whole.

***The Company's ability to pay dividends is not guaranteed.***

Future dividends will be subject to the financial condition of Cineworld, Regal and, following the Acquisition, the Enlarged Group. Under UK company law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, Cineworld's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from its subsidiaries. The payment of dividends to Cineworld by its subsidiaries is affected by their financial condition and the existence of sufficient distributable reserves and cash in those subsidiaries. The ability of its subsidiaries to pay dividends to Cineworld and its ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions. These requirements could limit the payment of dividends and distributions to Cineworld by its subsidiaries, which could in the future restrict Cineworld's ability to fund its operations or pay a dividend to Shareholders.

***Overseas Shareholders may not be able to acquire New Ordinary Shares in the Rights Issue or subscribe for future issues of Ordinary Shares.***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in the Rights Issue or any future issue of Ordinary Shares. In particular, and subject to certain exceptions, Shareholders who are located in the United States may not be able to exercise their rights in the Rights Issue or on a future issue of Ordinary Shares, unless a registration statement under the Securities Act is effective with respect to the Ordinary Shares or an exemption from the registration requirements is available thereunder. The New Ordinary Shares are not and will not be registered under the Securities Act and the Company may not file any such registration statements for any future issue of Ordinary Shares, and an exemption to the registration requirements of the Securities Act may not be available in any case. In such an event, Shareholders with a registered address, or who are located, in the United States would be unable to participate in such an issue.

Qualifying Shareholders who have a registered address in or who are resident in countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents, or need to observe any other formalities to enable them to take up their Nil Paid Rights or acquire New Ordinary Shares. Any Shareholder who is not entitled to participate in the Rights Issue or any future issue of Ordinary Shares carried out by the Company will suffer dilution, as described above.

***The ability of Overseas Shareholders to bring actions or enforce judgments against the Enlarged Group or its directors or officers may be limited.***

The ability of an Overseas Shareholder to bring an action against the Enlarged Group may be limited under law. Cineworld is a public limited company incorporated in England and Wales. The rights of Shareholders are governed by English law and the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Cineworld Directors and/or executive officers. The majority of the Cineworld Directors are residents of the UK or Israel. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Cineworld Directors and/or executive officers within the Overseas Shareholder's country of residence or to enforce against the Cineworld Directors and/or the executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. Overseas Shareholders may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Cineworld Directors and/or the executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Cineworld Directors and/or the executive officers in any original action based solely on foreign securities laws brought against the Enlarged Group or the Cineworld Directors and/or the executive officers in a court of competent jurisdiction in England or other countries.

***Shareholders may be subject to risks associated with taxation, including United States Tax Withholding and Reporting under the Foreign Account Tax Compliance Act (FATCA).***

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends and certain payments made by certain entities that are classified as financial institutions under FATCA. The Company does not expect that withholding under FATCA will apply to payments on the New Ordinary Shares. However, significant aspects of whether or how FATCA will apply to non-US issuers like the Company remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments on the New Ordinary Shares in the future. Nevertheless, under current regulations, even if FATCA were to become relevant to payments on the New Ordinary Shares, such withholding would not apply earlier than 1 January 2019. Shareholders and prospective investors should consult their own tax advisers regarding the potential impact of FATCA on an investment in the New Ordinary Shares.

# IMPORTANT NOTICES

## DISCLAIMER

In considering whether to participate in the Rights Issue or approve the Acquisition, Shareholders must rely on their own examination, analysis and enquiry of Cineworld and the terms of the Rights Issue and the Acquisition, including the merits and risks involved. None of Cineworld or the Underwriters or any of their respective representatives is making any representation to any Shareholder or prospective investor regarding the legality or advisability of an investment in the securities of Cineworld or related or other securities or instruments (including, but not limited, to Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Ordinary Shares) under the laws applicable to such Shareholder or prospective investor. The contents of this document are not to be construed as legal, business, tax or financial advice. Each Shareholder or prospective investor should consult with his or her own adviser as to the legal, tax, business, financial and related aspects of participation in the Rights Issue.

Any decision in connection with the Rights Issue or the Acquisition should be made solely on the basis of the information contained in this document. Without limitation to the foregoing, reliance should not be placed on any information in any announcements released by Cineworld prior to the date hereof, except to the extent that such information is repeated or incorporated by reference into this document and not superseded or revised.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters under FSMA or the regulatory regime established thereunder: (i) none of the Underwriters accepts any responsibility whatsoever or makes any representation or warranty, express or implied, in relation to the content of this document, including its accuracy, completeness or verification or in relation to any other statement made or purported to be made by it, or on its behalf, in connection with Cineworld, Regal, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Rights Issue or the Acquisition and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future; and (ii) each of the Underwriters accordingly disclaims, to the fullest extent permitted by law, all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

None of the Underwriters, nor any person acting on behalf of any of them, accepts any responsibility or obligation to update, review or revise the information in this document or to publish or distribute any information which comes to its attention after the date of this document and the distribution of this document shall not constitute a representation by any of the Underwriters, or any such person, that this document will be updated, reviewed or revised or that any such information will be published or distributed after the date hereof.

Recipients of this document acknowledge that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning Cineworld, Cineworld's subsidiaries, Regal, Regal's subsidiaries or the New Ordinary Shares (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by Cineworld or the Underwriters.

The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account for the purpose of hedging their commitments under the Underwriting Agreement. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

**No person has been authorised to give any information or make any representations other than those contained in this document or incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been authorised by Cineworld or by**

**the Underwriters. None of Cineworld or the Underwriters takes any responsibility for, or can provide assurance as to the reliability of, other information that you may be given. Subject to FSMA, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules and the Market Abuse Regulation, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Cineworld and/or Regal since the date of this document or that the information in this document is correct as at any time subsequent to its date. Without limitation, the contents of the Cineworld Group's and the Regal Group's websites do not form part of this document.**

**FORWARD-LOOKING STATEMENTS**

This document contains or incorporates by reference forward-looking statements which are based on the beliefs, expectations and assumptions of the Board and other members of senior management about the Cineworld Group's business, the Acquisition, the Rights Issue and the Regal Group's business. All statements other than statements of historical fact included in this document may be forward-looking statements. Generally, words such as "will", "may", "should", "could", "estimates", "continue", "believes", "expects", "aims", "targets", "projects", "intends", "anticipates", "plans", "prepares", "seeks" or, in each case, their negative or other variations or similar or comparable expressions identify forward-looking statements.

These forward-looking statements reflect the beliefs of the Board and other members of senior management, as well as assumptions made by them and information currently available to them. Although the Board and other members of senior management believe that these beliefs and assumptions are reasonable, by their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Board and other members of senior management believe that these risks and uncertainties include but are not limited to:

- the number, timing and attractiveness to customers of the films released in future periods;
- the licensing fees and terms required by film distributors from Cineworld, Regal and, following the Acquisition, the Enlarged Group to exhibit their films;
- the continued existence, and the duration of, the exclusive theatrical release window for films exhibited by Cineworld, Regal and, following the Acquisition, the Enlarged Group;
- the inability of Cineworld, Regal and, following the Acquisition, the Enlarged Group to effectively implement its business and growth strategies;
- the inability of Cineworld, Regal and, following the Acquisition, the Enlarged Group to effectively respond to competition and changes in technology;
- the levels of expenditures on entertainment in general and cinemas in particular, including retail spending in Cineworld's, Regal's and, following the Acquisition, the Enlarged Group's cinemas;
- general economic and political conditions in markets in which Cineworld, Regal and, following the Acquisition, the Enlarged Group, operates;
- competition from other exhibitors and alternative forms of entertainment;
- successful completion of the Acquisition;
- the Enlarged Group's ability to integrate efficiently new businesses following the Acquisition; and
- the Enlarged Group's ability to achieve the anticipated financial and other benefits resulting from the Acquisition,

and other factors described in the section of this document entitled "*Risk Factors*". These factors should not be construed as exhaustive and should be read with the other cautionary statements in this document. Moreover, new risk factors may emerge from time to time and it is not possible to predict all such risks or assess their impact for disclosure in this document. Forward-looking statements are not guarantees of future performance. The Company's actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the Company's actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors should carefully review the section of this document entitled "*Risk Factors*" for a discussion of factors that could cause the Company's actual results to differ materially from those expected before making an investment decision. For the avoidance of doubt, nothing in this document constitutes a qualification of the working capital statement contained in Section 8 of Part XIII (*Additional Information*) of this document.

Forward-looking statements contained in this document apply only as at the date of this document. To the extent required by the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules and other applicable regulations, the Company will update or revise the information in this document. Otherwise, the Company undertakes no obligation publicly to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Forward-looking statements contained in this document do not in any way seek to qualify the working capital statement contained in Section 8 of Part XIII (*Additional Information*) of this document.**

## PRESENTATION OF FINANCIAL INFORMATION

Prospective investors should consult their own professional advisers to gain an understanding of the financial information contained in this document. An overview of the basis for presentation of financial information in this document is set out below.

The historical financial information has been presented in accordance with the requirements of the PD Regulation and the Listing Rules in accordance with the basis of preparation included in Note 1 (*Accounting policies*) to the historical financial information in the Cineworld Group's 2016 Annual Report and Accounts incorporated by reference into this document.

The financial information incorporated by reference into this Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations that would apply if the New Ordinary Shares were to be registered in the United States. Compliance with such requirements would require the modification or exclusion of certain information included in this Prospectus, and the presentation of certain information which is not included in this Prospectus.

### *Cineworld*

The audited consolidated financial statements of the Cineworld Group included in the Cineworld Group's annual reports for FY 2014, FY 2015 and FY 2016, together with the audit reports thereon, are incorporated by reference into this document.

The unaudited interim results for the six month period ended 30 June 2017 are also incorporated by reference into this document.

The consolidated financial statements as of and for FY 2014, FY 2015 and FY 2016 were prepared in accordance with IFRS, were audited in accordance with International Standards on Auditing (United Kingdom and Ireland) and the audit report for each such financial year was unqualified. Further details can be found in Part VIII (*Historical Financial Information relating to Cineworld*) of this document.

The unaudited condensed consolidated financial information of Cineworld for the 2017 Nine Month Period has been included in this document in Part VIII (*Historical Financial Information relating to Cineworld*) and includes the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statements of financial position, the condensed consolidated statements of changes in equity and the condensed consolidated statement of cash flows (and the related notes) of the Cineworld

Group. Where information has been extracted from (i) the unaudited interim results for the six month period ended 30 June 2017 (or the comparative information for the six month period ended 30 June 2016); or (ii) the unaudited condensed consolidated financial information of Cineworld for the 2017 Nine Month Period (or the comparative information for the 2016 Nine Month Period), the information is unaudited.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Cineworld Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 1 to the historical financial information in the Cineworld Group's 2016 Annual Report and Accounts which are incorporated by reference into this document.

***Regal***

Regal is publicly listed on the New York Stock Exchange and prepares its financial statements in accordance with US Generally Accepted Accounting Principles (**US GAAP**), which are filed with the US Securities and Exchange Commission (**SEC**) and available from the SEC's website. The consolidated financial statements of Regal for FY 2014, FY 2015, FY 2016 and the consolidated financial information of Regal for the 2017 Nine Month Period presented in Part IX (*Historical Financial Information relating to Regal*) of this document, have been prepared in accordance with the requirements of the Listing Rules and Prospectus Rules, in accordance with IFRS and in a manner consistent with the accounting policies adopted by Cineworld and reported on in accordance with the Standards for Investment Reporting. Where information has been extracted from the unaudited comparative information for the 2016 Nine Month Period, the information is unaudited unless otherwise stated.

Further details can be found in Part IX (*Historical Financial Information relating to Regal*) of this document.

***Non IFRS financial information***

This document contains certain financial measures that are not defined or recognised under IFRS, including Adjusted EBITDA, Adjusted EBITDAR, Adjusted earnings, Net Debt and constant currency. As the Cineworld Group's definition of these non-IFRS measures may differ from those used by other companies and industries, presentation of these measures may not be comparable to other similarly-titled measures used by other companies.

***Adjusted EBITDA and Adjusted EBITDAR***

Adjusted EBITDA, as used in this document, represents operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. These exceptional and non-trading items are set out on the face of the consolidated profit and loss account of the consolidated historical financial statements of the Cineworld Group incorporated by reference in Part VIII (*Historical Financial Information relating to Cineworld*) of this Prospectus, where Adjusted EBITDA is referred to as EBITDA. Unless the context otherwise requires, references to EBITDA in such statements are references to Adjusted EBITDA. These items are also set out on the face of the consolidated profit and loss account of the consolidated historical financial statements of the Regal Group set out in Part IX (*Historical Financial Information relating to Regal*) of this document.

Adjusted EBITDA is presented to enhance a prospective investor's understanding of the Cineworld Group's results of operations and financial condition and to enhance a prospective investor's evaluation of the Cineworld Group's ability to employ its earnings towards capital expenditures, working capital and repayment of debt. The Cineworld Directors consider Adjusted EBITDA to be an accurate reflection of the underlying business performance of the Cineworld Group and believe that this measure provides additional useful information for prospective investors on the Cineworld Group's performance, and enhances comparability from period to period and with other companies, and is consistent with how business performance is measured internally.

Adjusted EBITDAR, as used in this document, represents Adjusted EBITDA before rent costs.

Adjusted EBITDA and Adjusted EBITDAR should not be considered as alternatives to IFRS measures of profit/(loss) or of cash flow from operations under IFRS or as an indication of liquidity. Adjusted EBITDA and Adjusted EBITDAR do not consider certain cash requirements, including interest payments, corporate income tax (and/or similar overseas taxes), debt service requirements and capital expenditures.

***Regal Adjusted EBITDA***

Regal Adjusted EBITDA as used in the Regal Financial Projections in the Appendix represents net income attributable to controlling interests adjusted for interest expense, net, provision for income taxes, depreciation and amortisation, net loss on disposal and impairment of operating assets and other, share-based compensation expense, acquisition related costs, loss on extinguishment of debt, gain on sale of Open Road Films investment, earnings recognised from National CineMedia cash distributions from National CineMedia and other non-consolidated entities, and non-controlling interest, net of tax and equity in income of non-consolidated entities and other, net.

***Adjusted earnings and adjusted earnings per share***

Adjusted earnings comprises profit after tax adjusted for certain non-recurring and non-cash items. These non-recurring and non-cash items are set out in Note 5 to the historical financial information in the Cineworld Group's 2016 Annual Report and Accounts incorporated by reference into this document.

Adjusted earnings is presented to improve the underlying comparability of the performance of the earnings per share of the Cineworld Group adjusted for certain non-recurring and non-cash items (**EPS**). The Cineworld Directors consider that this measure provides shareholders and potential investors with improved visibility and comparability over the underlying performance of the Cineworld Group.

***Net debt***

Net debt is calculated by taking the total cash and cash equivalents less total current and non-current borrowings and derivatives to show the net borrowing position at a point in time.

***Constant currency***

Constant currency movements have been calculated by applying the 2017 average exchange rates to 2016 performance.

***Co-terminus period ends***

The Cineworld Group operates on a calendar month and year, with the relevant month or year ending on the last day of the month. Until FY 2016, the Cineworld Group operated a four, four, five week period quarter, with the end of the relevant period being the last Thursday of the month. This resulted in the date of the annual accounting period moving within four days of the calendar year end. The 53 week period end date for 2014 was 1 January 2015 and the 52 week period end date for 2015 was 31 December 2015. For the annual period 2016, the period end date was 31 December 2016. The nine month period end date for 2016 and 2017 was 30 September.

Regal operates on a calendar quarter and year, with the relevant quarter or year ending on the last day of the month. Until FY 2015, Regal's fiscal year ended on the first Thursday after 25 December, which in certain years resulted in a 53 week fiscal year. The 53 week period end date for 2014 was 1 January 2015. For the annual periods 2015 and 2016 the period end date was 31 December. The nine month period end date for 2016 and 2017 was 30 September.

***Roundings***

Certain data in this Prospectus, including financial, statistical, and operating information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

***Currency presentation and abbreviations***

Unless otherwise indicated, all references in this document to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. Cineworld prepares its financial statements in Pounds Sterling. All references to "US dollars" or "US$" are to the lawful currency of the United States. Regal prepares its financial information in US dollars and the financial information on Regal presented in this document is presented in US dollars unless otherwise indicated.

The abbreviations "£m" or "£ million" represent millions of Pounds Sterling, and references to "pence" and "p" represent pence in Pounds Sterling.

The average exchange rates of US dollars are shown relative to Pounds Sterling below. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this document. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such US dollar amounts or that such sterling amounts could have been converted into US dollars at any particular rate, if at all.

***Average exchange rate of US dollars relative to Pounds Sterling***

| | *US dollar* | | | |
|---|---|---|---|---|
| *Year* | *Period End* | *Average* | *High* | *Low* |
| 2011 | 1.5509 | 1.6037 | 1.6694 | 1.5390 |
| 2012 | 1.6242 | 1.5850 | 1.6276 | 1.5295 |
| 2013 | 1.6566 | 1.5648 | 1.6566 | 1.4858 |
| 2014 | 1.5581 | 1.6474 | 1.7165 | 1.5515 |
| 2015 | 1.4734 | 1.5283 | 1.5872 | 1.4654 |
| 2016 | 1.2340 | 1.3549 | 1.4877 | 1.2123 |
| 2017 | 1.3513 | 1.2886 | 1.3594 | 1.2068 |
| 2018 (through 16 January 2018) | 1.3771 | 1.3600 | 1.3810 | 1.3513 |

*Source: Bloomberg*

On the Latest Practicable Date, the exchange rate of US dollars and euro relative to pounds sterling was £1.00 = US$1.3771 and £1.00 = €1.1241 (Source: *Bloomberg*).

***No profit forecasts or estimates***

Unless otherwise stated, no statement in this document is intended as a profit forecast or estimate and no statement in this document should be interpreted to mean that earnings per share for the most recent, current or future financial years would necessarily match or exceed the historical published earnings per share.

## NO INCORPORATION OF WEBSITE INFORMATION

Neither the content of Cineworld's website nor Regal's website, nor the content of any website accessible from hyperlinks on Cineworld's website or Regal's website, is incorporated into, or forms part of, this document and investors should not rely on them, without prejudice to the documents incorporated by reference into this document which will be made available on Cineworld's website.

# EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.[(1)]

| | |
|---|---|
| Announcement of the Acquisition and the Rights Issue | 5 December 2017 |
| Publication and posting of this document, the Notice of General Meeting and the Form of Proxy | 17 January 2018 |
| Latest time and date for receipt of Forms of Proxy | 9.30 a.m. on 31 January 2018 |
| Rights Issue Record Date | close of business on 31 January 2018 |
| **General Meeting** | 9.30 a.m. on 2 February 2018 |
| Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only)[(2)] | 2 February 2018 |
| Publication of notice in the London Gazette | 5 February 2018 |
| Start of subscription period | 5 February 2018 |
| Admission of the New Ordinary Shares | 8.00 a.m. on 5 February 2018 |
| **Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange** | 8.00 a.m. on 5 February 2018 |
| Existing Ordinary Shares marked "ex-rights" by the London Stock Exchange | 8.00 a.m. on 5 February 2018 |
| Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)[(2)] | as soon as practicable after 8.00 a.m. on 5 February 2018 |
| Nil Paid Rights and Fully Paid Rights enabled in CREST | 5 February 2018 |
| Latest time for receipt of instructions under the Special Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights | 3.00 p.m. on 9 February 2018 |
| Recommended latest time and date for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form) | 4.30 p.m. on 13 February 2018 |
| Dealings carried out in relation to the Cashless Take-up or disposal of Nil Paid Rights under the Special Dealing Service | 14 February 2018 |
| Recommended latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form) | 3.00 p.m. on 14 February 2018 |
| Latest time and date for splitting Provisional Allotment Letters, nil or fully paid | 3.00 p.m. on 15 February 2018 |
| Despatch of cheques in relation to net proceeds of disposal of Nil Paid Rights under the Special Dealing Service | by no later than 16 February 2018 |
| **Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters** | 11.00 a.m. on 19 February 2018 |

| | |
|---|---|
| Results of Rights Issue to be announced through a Regulatory Information Service | by 8.00 a.m. on 20 February 2018 |
| **Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange** | 8.00 a.m. on 20 February 2018 |
| New Ordinary Shares credited to CREST accounts (uncertificated holders only) | as soon as practicable after 8.00 a.m. on 20 February 2018 |
| Expected date for despatch of definitive share certificates for the New Ordinary Shares in certificated form | by no later than 27 February 2018 |
| **Expected date of Completion** | on or prior to 2 March 2018 |
| Cancellation of the listing of the Ordinary Shares | immediately prior to 8.00 a.m. on the date of Completion |
| **Re-admission of the Ordinary Shares** | 8.00 a.m. on the date of Completion |

**Notes:**

(1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by Cineworld in consultation with Barclays, HSBC and Investec in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.

(2) Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the United Kingdom, details of which are set out in Section 9 of Part II (*Details of the Rights Issue*) of this document.

(3) References to times in this document are to London time.

(4) If you have any queries on the procedure for acceptance and payment or on the procedure for splitting Provisional Allotment Letters you should contact Link Asset Services between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales) on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

# CINEWORLD DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

| | |
|---|---|
| **CINEWORLD DIRECTORS** | Anthony Bloom, *Non-Executive Chairman*<br>Moshe (Mooky) Greidinger, *Chief Executive Officer*<br>Israel Greidinger, *Deputy Chief Executive Officer*<br>Nisan Cohen, *Chief Financial Officer*<br>Alicja Kornasiewicz, *Non-Executive Director*<br>Dean Moore, *Non-Executive Director*<br>Scott S. Rosenblum, *Non-Executive Director*<br>Arni Samuelsson, *Non-Executive Director*<br>Eric (Rick) Senat, *Non-Executive Director*<br>Julie Southern, *Non-Executive Director*<br><br>*The business address of each of the Cineworld Directors is the registered office of the Company at 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG.* |
| **COMPANY SECRETARY** | Fiona Smith |
| **JOINT FINANCIAL ADVISER, JOINT UNDERWRITER, JOINT GLOBAL COORDINATOR AND JOINT CORPORATE BROKER** | Barclays Bank PLC<br>5 The North Colonnade<br>Canary Wharf<br>London E14 4BB |
| **JOINT FINANCIAL ADVISER, JOINT UNDERWRITER AND JOINT GLOBAL COORDINATOR** | HSBC Bank plc<br>8 Canada Square<br>Canary Wharf<br>London E14 5HQ |
| **SPONSOR, JOINT UNDERWRITER, JOINT BOOKRUNNER AND JOINT CORPORATE BROKER** | Investec Bank plc<br>2 Gresham Street<br>London EC2V 7QP |
| **LEGAL ADVISERS TO CINEWORLD AS TO ENGLISH LAW** | Slaughter and May<br>One Bunhill Row<br>London EC1Y 8YY |
| **LEGAL ADVISERS TO CINEWORLD ON THE ACQUISITION AS TO US LAW** | Skadden, Arps, Slate, Meagher & Flom LLP<br>Four Times Square<br>New York NY 10036-6522<br>United States |
| **LEGAL ADVISERS TO CINEWORLD AS TO US LAW** | Kramer Levin Naftalis & Frankel LLP<br>1177 6th Avenue<br>New York NY 10036<br>United States |
| **LEGAL ADVISERS TO THE SPONSOR AND UNDERWRITERS** | Freshfields Bruckhaus Deringer LLP<br>65 Fleet Street<br>London EC4Y 1HT |

| | |
|---|---|
| **AUDITOR AND REPORTING ACCOUNTANTS TO CINEWORLD** | KPMG LLP<br>15 Canada Square<br>Canary Wharf<br>London E14 5GL |
| **RECEIVING AGENT** | Link Asset Services<br>Corporate Actions<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |
| **REGISTRARS** | Link Asset Services<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |

# SHARE CAPITAL AND RIGHTS ISSUE STATISTICS

| | |
|---|---|
| *Rights Issue* | |
| Rights Issue Price per New Ordinary Share | 157 pence |
| Basis of Rights Issue | 4 New Ordinary Shares for every 1 Existing Ordinary Share |
| Number of Ordinary Shares in issue at the Latest Practicable Date | 273,915,718 |
| Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue(1) | 1,095,662,872 |
| Number of Ordinary Shares in issue immediately following the completion of the Rights Issue(1) | 1,369,578,590 |
| New Ordinary Shares as a percentage of the enlarged issued share capital of Cineworld immediately following completion of the Rights Issue(1) | 80 per cent. |
| Estimated gross proceeds of the Rights Issue | £1,720 million |
| Estimated expenses of the Rights Issue(2)(4) | £31 million |
| Estimated net proceeds of the Rights Issue receivable by Cineworld, after deduction of estimated expenses of the Rights Issue(3) | £1,689 million |

**Notes:**

(1) On the assumption that no further Ordinary Shares are issued from the date of this document until completion of the Rights Issue other than the New Ordinary Shares. The actual number of New Ordinary Shares to be issued under the Rights Issue will be subject to rounding to eliminate fractions.

(2) All expenses are exclusive of amounts in respect of VAT.

(3) Based on the maximum number of New Ordinary Shares being issued under the Rights Issue.

(4) No commissions, fees or expenses will be charged to subscribers for New Ordinary Shares by the Company.

# PART I
# LETTER FROM THE CHAIRMAN
# Cineworld Group plc

*(incorporated and registered in England and Wales with registered number 05212407)*

| *Directors:* | *Registered Office:* |
| --- | --- |
| Anthony Bloom | 8th Floor |
| Moshe (Mooky) Greidinger | Vantage London |
| Israel Greidinger | Great West Road |
| Nisan Cohen | Brentford TW8 9AG |
| Alicja Kornasiewicz | |
| Dean Moore | |
| Scott S. Rosenblum | |
| Arni Samuelsson | |
| Eric (Rick) Senat | |
| Julie Southern | |

17 January 2018

*To the holders of Ordinary Shares*

Dear Shareholder,

**Proposed acquisition of Regal, Proposed 4 for 1 Rights Issue of up to 1,095,662,872 New Ordinary Shares at 157 pence per New Ordinary Share and Notice of General Meeting**

## 1. Introduction

On 5 December 2017, Cineworld and Regal announced that they had reached agreement on the terms of a proposal for Cineworld to acquire, for cash, the entire issued and to be issued share capital of Regal. The Acquisition will be implemented by way of a merger in accordance with the laws of the State of Delaware at a price of US$23.00 per Regal Share, which values the entire issued and to be issued share capital of Regal at US$3.6 billion (£2.6 billion), with an implied enterprise value of US$5.8 billion (£4.2 billion).[(1)] Based on broker consensus for Regal's estimated 2017 EBITDA, the Acquisition implies an enterprise valuation multiple of 8.0x EBITDA (including combination benefits).[(2)]

Regal operates one of the largest and most geographically diverse cinema estates in the United States, consisting of 7,321 screens in 560 cinemas in 43 states along with Guam, Saipan, American Samoa and the District of Columbia, as at 31 December 2017. Regal operates, develops and acquires multi-screen cinemas primarily in mid-sized cities and suburban areas of larger cities throughout the United States. Regal is a corporation organised under the laws of the State of Delaware and its Class A common stock is traded on the New York Stock Exchange under the symbol "RGC". In FY 2016, Regal generated total revenues of US$3,193.3 million (£2,318.9 million) and Adjusted EBITDA of US$622.0 million (£451.7 million).[(3)]

The Acquisition will create a globally diversified cinema exhibition business across ten countries and allow Cineworld to access the attractive North American cinema market, which has the largest box office market in the world with an industry box office of greater than US$10 billion in each year since 2009 and stable admissions in excess of 1.25 billion in each year over the same period.

(1) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being US$1:£0.7262.

(2) Enterprise value multiples are based on the consensus of five brokers EBITDA forecasts for Regal, including US$100 million in run-rate combination benefits set out at paragraph 2 of this Part I. This is not intended to be, or is to be construed as, a profit estimate nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the broker consensus.

(3) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date being US$1:£0.7262.

Since the Cinema City Combination in 2014, the Cineworld management team has grown revenue and Adjusted EBITDA in the period FY 2013 to FY 2016 by a compound annual growth rate (**CAGR**) of 6.7 per cent. and 10.2 per cent., respectively. This growth has been achieved by enhancing the customer experience, through proactive management of its estate including successfully acquiring and opening new sites, diversifying multiplex offerings, implementing loyalty schemes and adopting a highly disciplined approach to cost. The Board believes that the Cineworld management team can replicate this success with the Enlarged Group by implementing similar initiatives within the Regal business to further enhance shareholder value.

The Acquisition, related expenses and the refinancing of certain existing Cineworld and Regal debt will be funded by:

- the proceeds of the fully underwritten Rights Issue at the Rights Issue Price of 157 pence per New Ordinary Share, which will raise approximately £1.7 billion (£1,689 million net of expenses);
- up to US$4.0 billion through utilisation of the committed Debt Facilities; and
- existing cash on balance sheet.

The Major Shareholder, which holds 27.97 per cent. of Cineworld's total issued ordinary share capital as at the Latest Practicable Date has agreed to take up its full pro rata entitlement under the terms of the Rights Issue to maintain its shareholding in Cineworld, demonstrating its strong ongoing commitment to the Cineworld business and, following Completion, to the Enlarged Group.

Due to its size, the Acquisition is classed as a reverse takeover under the Listing Rules. Cineworld is therefore required to seek the approval of its Shareholders for the Acquisition at the General Meeting, which has been convened for 9.30 a.m. on 2 February 2018 at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF. Shareholders will be asked to vote in favour the Resolutions, allowing Cineworld to proceed with the Acquisition and the Rights Issue.

As a consequence of the Acquisition being a reverse takeover under the Listing Rules, the listing of Ordinary Shares (including the New Ordinary Shares) on the premium listing segment of the Official List will be cancelled upon Completion. Applications will be made to the UKLA for the Ordinary Shares to be re-admitted to the premium listing segment of the Official List and to the London Stock Exchange for re-admission of the Ordinary Shares to trading on the London Stock Exchange's main market for listed securities. It is currently expected that Re-admission will become effective post Completion at 8.00 a.m. on or prior to 2 March 2018 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

I am writing to you to provide you with an explanation of the background to and reasons for the Acquisition and to explain why the Board considers the Acquisition to be in the best interests of Cineworld and Shareholders as a whole and unanimously recommends that you vote in favour of the Resolutions, as the Cineworld Directors intend to do in relation to their own beneficial holdings which amount to 0.1 per cent. of Cineworld's total issued ordinary share capital as at the Latest Practicable Date.[(4)] The Major Shareholder has agreed to vote in favour of the Resolutions in relation to its holding, which amounts to 27.97 per cent. of Cineworld's total issued ordinary share capital as at the Latest Practicable Date. In addition, the trustee of trusts of which Anthony Bloom, Chairman of the Board, is a potential discretionary beneficiary, has undertaken that the votes attaching to the Ordinary Shares held by such trusts and which amount to approximately 0.8 per cent. of Cineworld's existing issued share capital as at the Latest Practicable Date, will be voted in favour of the Resolutions.

(4) Not taking into account any interests held by the Major Shareholder or the trustee of trusts of which Anthony Bloom, the Chairman of the Board, is a potential discretionary beneficiary. Such shareholdings are subject to separate irrevocable undertakings.

## 2. Background, strategy and rationale for the Acquisition and the Rights Issue

### 2.1 *Background and strategy*

Cineworld today is the second largest cinema business in Europe (by number of screens) operating in nine different countries. The Company was transformed by the Cinema City Combination in 2014 as a result of which it gained an expansive portfolio of strong market positions in a number of attractive and growing markets. The Cinema City Combination also provided Cineworld with a diversified revenue base, material pre-tax cost combination benefits, as well as significant scope to derive additional benefits from its combined operations through operational improvements and the sharing of best practice between the businesses. The Cinema City Combination has exceeded the Board's expectations and delivered an attractive return on invested capital. Since the Cinema City Combination, Cineworld, under the leadership of CEO Mooky Greidinger and Deputy CEO Israel Greidinger, has reinforced its market leading position, adding 263 screens and growing admissions by 11.4 million to over 100 million from FY 2013 to FY 2016.(5)

Cineworld's success in enhancing shareholder value since the Cinema City Combination has been based around its strategy of providing an outstanding customer experience through the provision of innovative, cutting-edge design and state of the art cinemas, which aim to be the best in the industry.

Cineworld's strategy has been to invest in the latest innovative technology such as screening equipment, audio systems and different premium formats for showing movies. These premium formats include IMAX (of which Cineworld has the largest number of screens in Europe), 4DX (of which Cineworld is the only provider in the UK and an extensive provider in Europe), 3D, Superscreens and VIP auditoriums. These premium offerings have higher average ticket prices than normal admission prices thereby increasing revenues.

In addition to enhancing its existing estate, Cineworld has continued to expand its estate since the Cinema City Combination through selective new openings and acquisitions, including the acquisition of five Empire cinemas in August 2016. Through a combination of consistent internal cash flow generation and its existing debt facilities, Cineworld has the financial strength to take advantage of opportunities which present themselves.

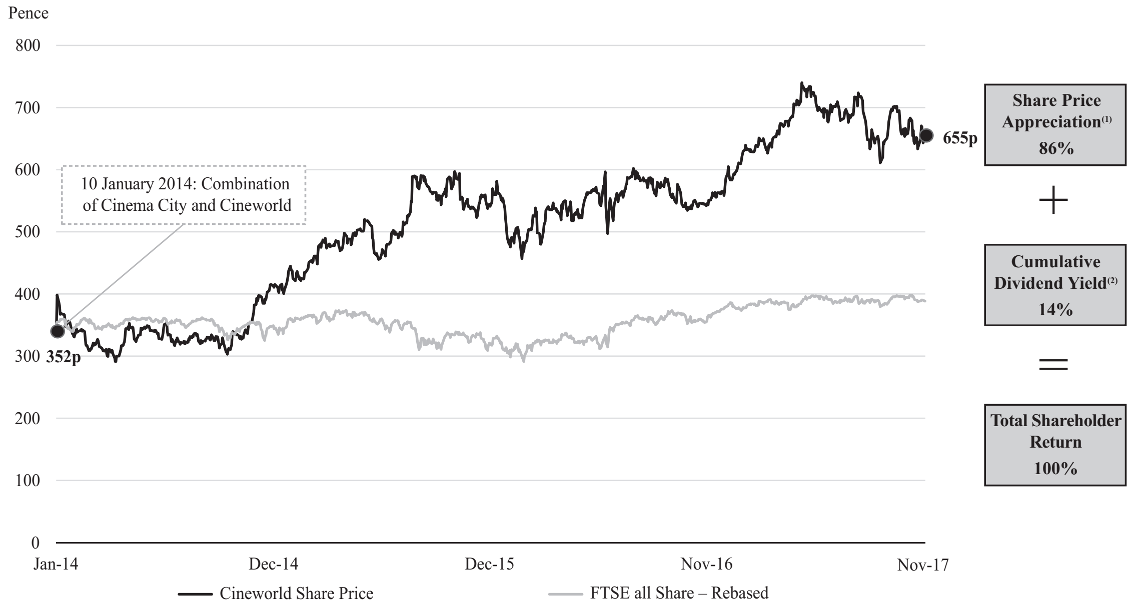
Cineworld has successfully expanded its food and drink offerings over time. The availability of a wider selection of items and Cineworld's association with Starbucks, together with a constant emphasis on staff training to provide a friendly and welcoming customer experience, aim to provide Cineworld's customers with the highest quality experience.

Finally, since the Cinema City Combination, the Cineworld management team has placed major emphasis on reducing costs in areas such as procurement and administrative costs, but never at the expense of the customer experience. These initiatives, together with a focus on driving revenues, increasing earnings and prudent management of Cineworld's cash position have led to attractive financial returns, enabling dividends to be increased each year since the Cinema City Combination.

Since the announcement of the Cinema City Combination, the implementation of the strategy described above has delivered total shareholder returns of 100 per cent., of which 86 per cent. is share price appreciation, between 10 January 2014 (the date on which the Cinema City Combination was announced) and 27 November 2017 (being the latest Business Day prior to the announcement of discussions regarding the possible Acquisition and Rights Issue). Nearly four years after the successful integration of Cinema City into the Cineworld Group, the Board believes Cineworld is now well positioned to continue to leverage its scale and the Cineworld management team's significant experience in operations, acquisitions, market expansion, refurbishments and marketing by embarking on the next phase in Cineworld's growth by acquiring Regal and entering the world's largest box office market, the United States.

(5) FY 2013 admissions on a pro forma basis as if Cinema City has been part of the Cineworld Group in FY 2013.

**Total Shareholder return since the Cinema City Combination**




*Source: FactSet as of 27 November 2017 (the latest Business Day prior to the announcement of the possible Acquisition).*

1. *Share price appreciation since completion of the Cinema City Combination.*
2. *Cumulative dividends based on the dividends declared for 2014, 2015 and 2016 divided by the share price at completion of the Cinema City Combination.*

## 2.2 *Rationale for the Acquisition*

*Gaining Access to the Attractive US Cinema Market*

The acquisition of Regal will provide Cineworld with a major presence in the US cinema market, the largest box office market in the world. The North American box office grossed over US$11 billion in 2016 with annual attendance of approximately 1.3 billion, and represented approximately 29 per cent. of global box office revenue. Moreover, the North American box office grew at a CAGR of approximately 4 per cent. in the period from 1986 to 2016, exceeding US$10 billion in each year since 2009 and generating box office records in each of 2012, 2013, 2015 and 2016. The US cinema market is also of major importance as the home to some of the world's largest and most influential movie production studios.

Cineworld believes that a key attraction of the US market is the long-term popularity of the cinema as an out-of-home entertainment activity. North America has one of the highest per capita cinema attendance rates in the world at 3.7 attendances per annum. The cinema remains one of the most affordable out-of-home entertainment activities in the United States, attracting more people than any other form of paid day-to-day leisure pursuits. For example, according to the Motion Picture Association of America (MPAA), more people in North America went to the movies in 2016 than attended all US theme parks, Major League Baseball, National Football League, National Basketball Association and National Hockey League fixtures combined.

From a competitive perspective, Cineworld believes that Regal holds a strong position in the US market, where it is the second largest cinema operator (by number of screens) with approximately 20 per cent. market share by box office and approximately 18 per cent. by screens. The largest three operators (AMC, Regal and Cinemark), hold a combined market share of approximately 50 per cent. of total screens.

Within the United States, Regal has a geographically diverse cinema estate, which includes cinemas in 48 of the top 50 US Designated Market Areas, including dense population hubs and affluent areas such as California, Florida and New York. Regal operates multi-screen cinemas and, as at 30 September 2017, had an average of 13.0 screens per location, which is well above the North American motion picture exhibition industry average of seven screens per location (as at 31 December 2016). Regal has rolled out recliner seats to approximately 27 per cent. of its sites, providing cinemagoers with a premium experience. The costs of conversion of seating in some cases are partially covered by contributions from Regal's cinema landlords. The majority of sites are under lease agreements with original terms generally ranging from 15 to 20 years or more and, in most cases, with renewal options for up to an additional 10 to 20 years.

*Creation of a Leading Global Cinema Group*

Following Completion, the Enlarged Group will become a global cinema exhibition business of significant scale, with operations in ten countries covering an addressable market of approximately 500 million people.

In the 12 months to 30 June 2017, the Enlarged Group would have had over 310 million annual admissions, pro forma revenues of US$4,370 million (£3,173 million) and pro forma EBITDA of US$907 million (£659 million)[(6)]. As at the Latest Practicable Date, the Enlarged Group would have had 9,538 screens across the United States and Europe, making it the second largest operator in the world (by number of screens).

The Board expects that the Enlarged Group's diverse geographic footprint will help to mitigate year-on-year volatility in the global cinema industry resulting from regional, economic, weather and movie performance variables and enable the Enlarged Group to diversify its movie offering.

Cineworld believes that the Enlarged Group will generate strong total returns for Shareholders through top-line growth, delivery of operational improvements and dividends.

At present, Regal operates solely in the United States, unlike the other two major market participants, AMC and Cinemark, who have overseas operations. Cineworld sees significant potential for value creation in making the Enlarged Group a global cinema exhibition business of significant scale on both sides of the Atlantic and sharing best practices.

*Opportunity to Deliver Shareholder Returns for the Enlarged Group*

The Board believes that the Cineworld management team can create significant value and returns in the Enlarged Group by improving the customer experience in the United States, which is expected to result in attendance and yield growth. Cineworld intends to apply its successful practices of cutting edge cinema settings, technologies, innovation, loyalty programmes and other business initiatives to Regal.

The Board believes that the Enlarged Group will be able to accrue considerable additional benefits from the sharing of best practices between Cineworld and Regal. Management intends to implement its best practices in the Enlarged Group as it believes there are opportunities to grow in more mature markets if best practices are shared. Examples of such best practice include enhancing the customer's experience through venue refurbishments and better seating, diversifying multiplex offering using latest technology, loyalty programmes, accretive bolt-on acquisitions and adopting a highly disciplined approach to costs.

The Board estimates that, following Completion, the Enlarged Group will be able to achieve annualised pre-tax combination benefits of US$100 million (excluding one-off implementation costs), consisting of:

- Approximately US$60 million from cost reduction including the elimination of duplicated corporate costs, public company expenses and functional overheads, the optimisation of functions and economies of scale; and
- Approximately US$40 million in benefits from business initiatives and implementing best practices across sales and marketing, customer experience and other income.

The Board also estimates US$10 million of group structuring benefits impacting cash flows and earnings through the adoption of an efficient financial structure. Prior to the enactment of the Tax Cuts and Jobs Act in the United States on 22 December 2017, as announced by the Company on

(6) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being US$1:£0.7262. Pro forma EBITDA for the Enlarged Group is based on Regal Adjusted EBITDA and Adjusted EBITDA for Cineworld.

5 December 2017, the Board had expected to achieve an estimated US$50 million of group structuring benefits. However, notwithstanding this reduction in expected group structuring benefits, the Board now also estimates that the Enlarged Group will be able to achieve an estimated US$50 million in benefits deriving from the change in tax rates introduced by the Tax Cuts and Jobs Act in addition to the estimated US$10 million of group structuring benefits noted above. The overall impact of the Tax Cuts and Jobs Act is, however, uncertain and will continue to be assessed.

The combination benefits identified reflect both additional benefits and possible cost reductions which are contingent on Completion, and could not be achieved independently. The pre-tax synergies noted above compare to an operating profit for Regal of US$364.8 million (£264.9 million) for the year ended 31 December 2016 where cost of sales were US$2,393.5 million (£1,738.1 million) and administrative expenses were US$436.5 million (£317.0 million).(7) Cineworld's profit before tax for the year ended 31 December 2016 was £98.2 million (US$135.2 million) where cost of sales were £584.8 million (US$805.3 million) and administrative expenses were £102.9 million (US$141.7 million).(8)

The Board expects that these combination benefits will be equally phased in FY 2018 and FY 2019 while the group structuring benefits are expected to be fully realised by FY 2018. The Board expects to incur up to 1x cost reduction (US$60 million) in FY 2018 in order to achieve the benefits.

*Leveraging Cineworld management's experience and track record*

The Cineworld CEO, Mooky Greidinger, and Deputy CEO, Israel Greidinger, will retain their managerial positions and lead the integration and growth of the Enlarged Group after Completion. Having been in the cinema business for three generations, the Greidinger family has significant experience and a track record of successful acquisitions as well as operating, refurbishing and driving shareholder returns in cinema businesses. Specifically, the Board believes the Cineworld CEO and Deputy CEO have the skill and experience to continue to drive Cineworld's international expansion by means of organic growth and acquisition, as demonstrated by their success in integrating the Cineworld and Cinema City businesses internationally across eight markets.(9)

The Cineworld management team has a strong track record of delivering significant returns to Shareholders following the Cinema City Combination. Cineworld's Adjusted EBITDA has grown by a CAGR of 10.2 per cent. with a 203bps increase in Adjusted EBITDA margin from FY 2013 to FY 2016.(10) Since the Cinema City Combination, Cineworld has delivered total shareholder returns of 100 per cent., of which 86 per cent. is share price appreciation, between 10 January 2014 and 27 November 2017 (being the latest Business Day prior to the announcement of discussions regarding the possible Acquisition and Rights Issue). The Cineworld management team also grew revenue by a CAGR of 6.7 per cent. between FY 2013(11) and FY 2016, while reducing leverage from 2.3x net debt/Adjusted EBITDA as at 26 June 2014 to 1.6x net debt/Adjusted EBITDA as at 31 December 2016.(12)

*Attractive financial returns*

The Board believes that the Transaction will be financially beneficial to Shareholders. The Transaction is expected to be strongly accretive to earnings in the first full year following Completion.

(7) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being US$1:£0.7262.

(8) Converted into US dollars at the exchange rate as at the Latest Practicable Date, being £1:US$1.3771.

(9) UK and Ireland classified as one market.

(10) FY 2013 presented on a pro forma basis as if Cinema City has been part of the Cineworld Group in FY 2013 (exchange rate: £1/€1.1894).

(11) FY 2013 presented on a pro forma basis as if Cinema City has been part of the Cineworld Group in FY 2013 (exchange rate: £1/€1.1894).

(12) Leverage ratio based on net debt as at the date stated and Adjusted EBITDA for the 12 month period ended on the date stated (calculated, for 26 June 2014, on a pro forma basis as if Cinema City were part of the Cineworld Group for the entirety of that period).

Furthermore, Cineworld's return on invested capital associated with the Acquisition is expected to meet its cost of capital in the first full year after Completion (FY 2019).

The Board expects that Cineworld will be able to maintain its existing dividend policy following Completion, underpinned by the future prospects of the Enlarged Group.

In light of the scale of the Acquisition, Cineworld believes that the financing structure for the Acquisition is appropriate and will continue to provide attractive shareholder returns and future flexibility alongside a clear deleveraging strategy supported by the strong cash generation of the Enlarged Group. If Completion had occurred at the end of FY 2017, it is estimated based on broker consensus that the leverage ratio would have been approximately 4.0x net debt/consensus EBITDA (if the full annualised pre-tax combination benefits of US$100 million were taken into account in calculating that consensus EBITDA).(13)

Since the Cinema City Combination, Cineworld has significantly reduced its leverage ratio, while also continuing to invest and grow its annual dividend. Consequently, the Board is confident in its ability to grow dividends and reduce leverage.

The Board expects that the increased interest expenses which will result from the higher leverage following Completion, should, together with other factors, lead to group structuring benefits of approximately US$10 million on a recurring basis from the first full year following Completion, in addition to the estimated benefits of approximately US$50 million on a recurring basis from the first full year following Completion brought about through the enactment of the Tax Cuts and Jobs Act.

The Board's expectations regarding these financial effects are based upon the realisation of combination benefits and group structuring benefits on the basis described above and do not take into account any exceptional restructuring costs.(14)

## 3. Summary information on Cineworld

Cineworld was founded in 1995 and is one of the leading cinema exhibition businesses in Europe. Cineworld listed on the London Stock Exchange in May 2007 and is currently the UK's only quoted cinema business.

In 2014, Cineworld combined with Cinema City (the predecessor to which was started by the Greidinger family in 1929) to create the second largest cinema business in Europe (by number of screens). Immediately following completion of the Cinema City Combination, Cineworld had 201 sites and 1,852 fully digital screens.

Today, Cineworld is an international cinema exhibition business operating in nine different countries with 232 sites and 2,217 screens. Cineworld operates in the UK and Ireland under the Cineworld and Picturehouse brands, in six CEE countries under the Cinema City brand and in Israel under the Yes Planet and Rav-Chen brands.

Cineworld is one of the UK's leading cinema exhibition businesses by admissions and box office revenues. Cineworld's cinemas are modern, well-designed multiplexes offering great customer service with high quality technology, stadium seating, and online ticketing services. Cineworld also operates in the UK via Picturehouse, its arthouse cinema brand which has a cosier atmosphere. Picturehouse offers freshly-cooked food, bars and special events, which provides an alternative experience to the multiplexes.

In FY 2016, Cineworld had over 100 million admissions and generated revenues of £797.8 million and Adjusted EBITDA of £175.8 million.

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(13) 2017 consensus EBITDA and net debt for the Enlarged Group are based on the consensus of eight brokers for Cineworld and five brokers for Regal, including US$100 million in run-rate combination benefits set out at paragraph 2 of this Part I. This is not intended to be, or is to be construed as, a profit estimate nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the broker consensus.

(14) This is not intended to be, or is to be construed as, a profit estimate nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the broker consensus.

## 4. Summary information on Regal

Regal is a corporation organised on 6 March 2002 under the laws of the State of Delaware and its Class A common stock trades on the New York Stock Exchange. Regal operates one of the leading cinema estates in the United States, consisting of 7,321 screens in 560 cinemas in 43 states along with Guam, Saipan, American Samoa and the District of Columbia as at 31 December 2017.

Regal has a geographically diverse estate which includes cinemas in 48 of the top 50 US Designated Market Areas. Regal operates multi-screen cinemas and, as of 30 September 2017, had an average of 13.0 screens per location, which is well above the North American motion picture exhibition industry average. Regal operates, develops and acquires multi-screen cinemas primarily in mid-sized cities and suburban areas of larger cities throughout the United States.

Regal operates its cinema estate using its Regal Cinemas, United Artists, Edwards, Great Escape Theatres and Hollywood Theaters brands through its wholly-owned subsidiaries. Regal's multi-screen cinema complexes typically contain 10 to 18 screens, each with auditoriums ranging from 100 to 500 seats. Regal's cinemas feature amenities, such as immersive sound, wall-to-wall and floor-to-ceiling screens, Sony Digital Cinema 4K projection systems, three-dimensional (3D) digital projection systems, IMAX and its large screen format, RPX, digital stereo surround-sound and interiors featuring video game and party room areas adjacent to the cinema lobby. Regal is currently implementing various other initiatives and customer amenities such as luxury reclining seating, an array of food and beverage offerings, in-cinema dining and bar service and reserved seating.

Regal owns approximately 17.9 per cent.(15) of National CineMedia. NCM operates the largest digital in-cinema advertising network in North America representing over 20,500 US cinema screens and focuses on in-cinema advertising for its theatrical exhibition partners, which include Regal, AMC, and Cinemark. NCM is a joint venture between Regal, AMC and Cinemark.

Regal holds a 46.7 per cent.(16) economic interest in Digital Cinema Implementation Partners (**DCIP**), a joint venture company formed by Regal, AMC and Cinemark. DCIP funds the cost of digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors including Regal. In addition to its US digital deployment, DCIP actively manages the deployment of over 1,800 digital systems in Canada for Canadian Digital Cinema Partnership, a joint venture between Cineplex Inc. and Empire Theatres Limited.

In FY 2016, Regal had approximately 211 million admissions and generated total revenues of US$3,193.3 million (£2,318.9 million) and Adjusted EBITDA of US$622.0 million (£451.7 million).(17)

## 5. Summary of the key terms of the Acquisition

### *Merger Agreement*

On 5 December 2017, Cineworld, Regal, Crown Intermediate HoldCo, Inc. (**HoldCo**) and Crown Merger Sub, Inc. (**MergerCo**) entered into an agreement and plan of merger (**Merger Agreement**), under which Cineworld has agreed to acquire, for cash, the entire issued and to be issued share capital of Regal on the terms and subject to the conditions of the Merger Agreement. The Acquisition will be implemented by way of a merger in accordance with the laws of the State of Delaware at a price of US$23.00 per Regal Share, which values the entire issued and to be issued share capital of Regal at US$3.6 billion (£2.6 billion), with an implied enterprise value of US$5.8 billion (£4.2 billion).(18) On Completion, MergerCo shall be merged with and into Regal and, following the merger, Regal will be an indirect wholly-owned subsidiary of Cineworld.

(15) As at 30 September 2017.

(16) As at 30 September 2017.

(17) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being US$1:£0.7262.

(18) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being US$1:£0.7262.

***Shareholder approvals***

Due to its size, the Acquisition is classed as a reverse takeover under the Listing Rules. As such, Cineworld is seeking the approval of Shareholders for the Acquisition at the General Meeting, which has been convened for 9.30 a.m. on 2 February 2018 at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF. Shareholders will be asked to vote in favour of the Resolutions.

The Cineworld Directors intend to vote in favour of the Resolutions in relation to their beneficial holdings, which amount to approximately 0.1 per cent. of Cineworld's existing issued ordinary share capital as at the Latest Practicable Date.[19] The Major Shareholder has agreed to vote in favour of the Resolutions in relation to its holding, which amounts to 27.97 per cent. of Cineworld's existing issued ordinary share capital as at the Latest Practicable Date. In addition, the trustee of trusts of which Anthony Bloom, Chairman of the Board, is a potential discretionary beneficiary, has undertaken that the votes attaching to the Ordinary Shares held by such trusts and which amount to approximately 0.8 per cent. of Cineworld's existing issued ordinary share capital as at the Latest Practicable Date, will be voted in favour of the Resolutions.

The Acquisition also requires the consent of Regal Stockholders. The Anschutz Corporation, which holds shares representing approximately 67 per cent. of the voting power in Regal, has agreed to provide its written consent to approve the Acquisition, with effect upon approval of the Transaction by Shareholders and satisfaction of the conditions set forth in a voting and support agreement with Cineworld. Delivery of written consent from The Anschutz Corporation is the only Regal Stockholder action required to approve the Acquisition.

***Conditions***

Completion under the Merger Agreement is subject to, and can only occur upon satisfaction or waiver of, a number of conditions, including:

(a) the approval of the Resolutions by Shareholders at the General Meeting;

(b) the approval of the Merger Agreement by Regal Stockholders, by delivery of the written consent by The Anschutz Corporation or, if the written consent is not delivered, at a meeting of Regal Stockholders;

(c) the expiry or early termination of any applicable waiting period (and any extension of such period) applicable to the Acquisition under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the **HSR Act**);

(d) Admission of the New Ordinary Shares; and

(e) no material adverse effect having occurred in respect of the Regal Group (subject to certain exceptions).

Early termination of the waiting period applicable to the Acquisition under the HSR Act was granted by the U.S. Federal Trade Commission on 8 January 2018 and the condition described at paragraph (c) above was accordingly satisfied as of that date. Details of the Acquisition are set out at Part III (*Terms and Conditions of the Acquisition*) of this document.

## 6. Financing the Acquisition

The Acquisition will be funded through:

- £1.7 billion from the proceeds of the Rights Issue (net of expenses);
- up to US$4.0 billion from the Debt Facilities; and
- existing cash on balance sheet

(19) Not taking into account any interests held by the Major Shareholder or the trustee of trusts of which Anthony Bloom, the Chairman of the Board, is a potential discretionary beneficiary, as such holdings are subject to separate irrevocable undertakings.

Details of the Rights Issue are set out at Part II (*Detail of the Rights Issue*) of this document. Details of the Debt Facilities are set out at Section 6.1(d) of Part XIII (*Additional Information*) of this document.

On 5 December 2017, Cineworld entered into the Forward, pursuant to which Cineworld will exchange a certain amount of pound sterling into a fixed amount of US dollars in order to reflect the currency requirements of the consideration for the Acquisition. The Forward is conditional on Completion. Details of the Forward are set out at Section 6.1(f) of Part XIII (Additional Information) of this document.

**7. Management and employees**

The board of the Enlarged Group will be the current Board and the Enlarged Group's headquarters and registered office will be the current registered office of the Company.

**8. Principal terms of the Rights Issue**

Cineworld is proposing to raise approximately £1.7 billion (net of expenses) pursuant to the Rights Issue. The Rights Issue is being fully underwritten by the Underwriters pursuant to the Underwriting Agreement. The Rights Issue Price of 157 pence per New Ordinary Share represents a 72.1 per cent. discount to the closing middle market price of Cineworld of 563.5 pence per Ordinary Share on 16 January 2018, the latest Business Day prior to the announcement of the Rights Issue and a 34.1 per cent. discount to the Theoretical Ex-Rights Price of 238.3 pence per New Ordinary Share calculated by reference to the closing middle market price on the same basis.

Subject to the fulfilment of, among other things, the conditions set out below, the Company will offer 1,095,662,872 New Ordinary Shares to Qualifying Shareholders at a Rights Issue Price of 157 pence per New Ordinary Share, payable in full on acceptance. The Rights Issue will be offered on the basis of:

**4 New Ordinary Shares for every 1 Existing Ordinary Share**

held on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in this document.

Qualifying Non-CREST Shareholders with registered addresses in the United States or in any of the other Excluded Territories will not be sent Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights, except where the Company and the Underwriters are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares.

The Rights Issue is conditional, among other things, upon:

(a) the passing of the Resolutions at the General Meeting without material amendment;

(b) the Company having applied to Euroclear for admission of the Nil Paid Rights and Fully Paid Rights to CREST as participating securities, and no notification having been received from Euroclear on or before Admission of the New Ordinary Shares that such admission or facility for holding and settlement has been or is to be refused;

(c) Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 5 February 2018 (or such later time and/or date as the Underwriters and the Company may agree, or as may be otherwise provided for pursuant to the terms of the Underwriting Agreement); and

(d) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission of the New Ordinary Shares) and not having been rescinded or terminated in accordance with its terms prior to Admission of the New Ordinary Shares.

Applications will be made for the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

It is expected that Admission of the New Ordinary Shares will become effective and dealings in the New Ordinary Shares will commence at 8.00 a.m. on or prior to 2 March 2018.

The Rights Issue is not conditional on Completion. The Rights Issue may therefore complete while the Acquisition does not. In the event that Admission of the New Ordinary Shares is effected but Completion does not occur, the Cineworld Directors' current intention is that the proceeds of the Rights Issue will be applied to reducing the Company's net indebtedness on a short-term basis while the Cineworld Directors evaluate alternative uses of the funds. If no such uses can be found, the Cineworld Directors will consider how best to return the proceeds to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for Cineworld and would be subject to applicable securities laws.

The Major Shareholder, who holds in aggregate 76,626,344 Ordinary Shares as at the Latest Practicable Date (representing 27.97 per cent. of the Company's existing issued ordinary share capital) has agreed to take up its rights in full in respect of the New Ordinary Shares to which it is entitled. In support of its commitment, the Major Shareholder has entered into certain financing arrangements, including the Margin Loan Facility Agreement and a co-investment agreement with a sovereign wealth fund.

## 9. Dividends

For FY 2016, Cineworld paid a dividend of 19.0 pence per share (2015: 17.50 pence per share), representing an 8.6 per cent. increase on the level in 2015. For the six month period ended 30 June 2017, the Company has paid an interim dividend of 6.0 pence per share (2016: 5.2 pence per share), representing a 15.4 per cent. increase on the 2016 payment.

The Board understands the importance of dividend payments to Shareholders and, reflecting the confidence that the Board has in the benefits of the Acquisition and the cash generative potential of the Enlarged Group, it is intended that, following Completion, Cineworld will maintain its existing dividend policy, underpinned by the future prospects of the Enlarged Group. The Board therefore intends, consistent with that policy, to declare or recommend a per share dividend at a coverage ratio similar to that paid in the last three financial years, to the extent that Cineworld has distributable reserves and cash available for this purpose.

## 10. Current trading, trends and prospects

***Cineworld***

On 17 January 2018, Cineworld published a trading update for FY 2017, an extract of which is set out below:

*Revenue movements for the year were as follows:*

| | *Actual* | | | *Constant Currency* | | |
|---|---|---|---|---|---|---|
| | *Group* | *UK & Ireland* | *ROW*[(1)] | *Group* | *UK & Ireland* | *ROW*[(1)] |
| *Total revenue* | *11.6%* | *5.9%* | *20.8%* | *7.9%* | *5.9%* | *10.9%* |
| *Box Office* | *10.3%* | *6.3%* | *17.7%* | *6.9%* | *6.3%* | *8.0%* |
| *Retail* | *15.6%* | *7.1%* | *29.2%* | *11.8%* | *7.1%* | *18.8%* |
| *Other Income* | *10.3%* | *1.1%* | *19.3%* | *5.8%* | *1.1%* | *10.1%* |

**Notes:**

*(1) ROW is defined as Rest of the World and includes Poland, Hungary, Israel, Romania, Czech Republic, Bulgaria and Slovakia.*

*Admissions in both the UK & Ireland and the ROW increased compared with the prior year. Growth has been driven by the expansion of our estate, the improved results from the ongoing refurbishment programme and the continued roll-out of our premium formats. The highest grossing films for the year in the UK were "Beauty and the Beast", "Star Wars: The Last Jedi" and "Dunkirk". Locally produced films continued to perform well across the ROW, especially in Poland where "Listy Do Movie 3" and "Botoks" were the top performing films for the year.*

*Retail revenue showed strong growth of 15.6% (11.8% constant currency), particularly in the ROW with growth of 29.2% (18.8% constant currency). Retail revenue is a function of admissions, economic and spending trends in each local market and was positively impacted by the expansion of the Group's retail* *offerings. The Group opened five Starbucks sites and three VIP sites in 2017 bringing the total to 29 Starbucks sites and 12 VIP sites at 31 December 2017. For the Group, Other Income growth has primarily been driven by the ROW, with growth in both the advertising and distribution income streams.*

*The Group made significant progress with its expansion and refurbishment programme. At the end of 2017 the Group operated 232 sites with 2,217 screens. This includes nine sites (110 screens) opened during 2017, four in the UK and five in the ROW, as well as the Empire Newcastle site (16 screens) acquired in June 2017. The Group proactively managed the existing estate through its refurbishment and selective site closure programme. During the year four refurbishments were completed in the UK, (Hemel Hempstead, Ipswich, Northampton and Solihull) and two in Poland (Arkadia and Mokotow). There are a number of sites currently under refurbishment including at Leicester Square and The O2 in London. Four of the Groups smaller sites were closed during the year, three in the UK and one in Hungary.*

*The Group continued with its strategy to invest in technology and be leaders in the industry, with 11 4DX screens, 2 Superscreens and 2 IMAX screens opened during the year. At the end of 2017 the Group had a total of 38 4DX screens, 35 IMAX screens and 11 Superscreens.*

*There is a strong film slate for 2018 which includes "Jurassic World: Fallen Kingdom", "Fantastic Beasts: The Crimes of Grindelwald", "Avengers: Infinity War", "The Incredibles 2", "Mamma Mia! Here We Go Again" "Solo: A Star Wars Story", "Deadpool 2", "Fifty Shades Freed" and "Mary Poppins Returns".*

*After a successful outcome in 2017 the Group is positioned well for another year of progress in 2018.*

***Regal***

On 16 January 2018, Regal published a trading update for FY 2017, an extract of which is set out below:

*For the year ended 31 December 2017, box office revenue and concession revenue declined 2.6% and 0.3% versus the prior year period.*

| | *% Change vs. Prior Period* |
|---|---|
| *Box Office revenue* | *(2.6%)* |
| *Concessions revenue* | *(0.3%)* |
| *Attendance* | *(6.7%)* |

*Nearly 197 million people attended Regal theaters in 2017, representing a decline of 6.7% versus 2016. As expected at the time of our third quarter earnings announcement, the business has enjoyed a strong holiday season. Although 2017 featured a record box office in the first quarter and, according to Box Office MoJo, the second highest fourth quarter from an industry box office perspective, overall the film slate in 2017 was weaker than the prior year. The top five performing movies of the year were "Star Wars: The Last Jedi", "Beauty and the Beast", "Wonder Woman", "Guardians of the Galaxy: Volume 2" and "Spider-Man: Homecoming", which generated total domestic box office revenue of approximately $2.2 billion.*

*For 2017, the decline in attendance was partially offset by an increase in average ticket prices and an increase in average concessions revenues per patron, which were primarily attributable to selective price increases and the continued rollout of our expanded food and alcohol menu.*

### 11. Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, a Provisional Allotment Letter and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in Section 9 of Part II (*Details of the Rights Issue*) of this document.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will not be sent to Qualifying non-CREST Shareholders with registered addresses, or who are resident in or located, in the United States or the Excluded Territories, nor will the CREST stock account of Qualifying CREST Shareholders with registered addresses, or who are resident or located, in the United States or the Excluded Territories be credited with Nil Paid Rights. The notice in the London Gazette referred to in Section 9(f) of Part II (*Details of the Rights Issue*) of this document will state where a Provisional Allotment Letter may be inspected or obtained. Any person with a registered address, or who is resident or located, in the United States or any Excluded Territory who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up its, his or her rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The Company has made arrangements under which the Underwriters will try to find subscribers for the New Ordinary Shares provisionally allotted to such Shareholders by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find subscribers and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), such Shareholders will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. If any person in the United States or an Excluded Territory receives a Provisional Allotment Letter, that person should not seek to, and will not be able to, take up his or her rights thereunder, except as described in Section 9 of Part II (*Details of the Rights Issue*) of this document. The provisions of Section 6 of Part II (*Details of the Rights Issue*) of this document will apply to Overseas Shareholders who cannot or do not take up the New Ordinary Shares provisionally allotted to them.

## 12. Share Schemes

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

## 13. General Meeting

A notice convening a General Meeting to be held at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 9.30 a.m. on 2 February 2018 at which the Resolutions will be proposed is set out at the end of this document. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions, as set out in full in the Notice of General Meeting.

**Your attention is again drawn to the fact that the Rights Issue and the Acquisition are conditional and dependent upon the Resolutions being passed** (there are also additional conditions which must be satisfied before the Acquisition can be completed). Because of the size of Regal when compared with Cineworld, the Acquisition is classed as a reverse takeover under the Listing Rules and its implementation requires the approval of Shareholders.

However, Shareholders should be aware that it is possible that, after the Rights Issue becomes wholly unconditional, the Acquisition could fail to complete. This possibility is discussed further in Section 1 of Part II (*Details of the Rights Issue*) of this document.

***Resolutions***

The Resolutions propose that:

(a) the Acquisition be approved and that the Cineworld Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition; and

(b) the Cineworld Directors be authorised to allot up to 1,095,662,872 Ordinary Shares, representing approximately 400 per cent. of the Company's current issued share capital in addition, to the extent unutilised, to the allotment authorities conferred on the Cineworld Directors at the 2017 AGM. This will provide the Cineworld Directors with the necessary authority and power under the Companies Act 2006 to proceed with the issue of the New Ordinary Shares in connection with the Rights Issue. The authority will expire on 4 June 2018.

Further details in relation to the Resolutions are provided at Section 2.4 of Part XIII (*Additional Information*) of this document.

The Resolutions referred to at (a) and (b) above will be proposed as ordinary resolutions requiring a simple majority of votes in favour. These resolutions must be approved by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting.

For further information in relation to the Resolutions to be proposed at the General Meeting, see the Notice of General Meeting at the end of this document.

## 14. Action To Be Taken

***General Meeting***

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Registrar, Link Asset Services, as soon as possible and, in any event, so as to arrive not later than 9.30 a.m. on 31 January 2018. The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so. You may also submit your proxies electronically at www.signalshares.com using your Investor Code found on the Form of Proxy. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer's agent, ID RA10, so that it is received no later than 9.30 a.m. on 31 January 2018.

***Rights Issue***

The latest time for acceptance by Shareholders under the Rights Issue is 11.00 a.m. (London time) on 19 February 2018. The procedure for acceptance and payment is set out in Part II (*Details of the Rights Issue*) of this document. Further details also appear in the Provisional Allotment Letter which will be sent to all Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those Qualifying Non-CREST Shareholders with a registered address in the Excluded Territories).

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser.

## 15. Special Dealing Service

The Company has engaged Link Asset Services to make available the Special Dealing Service in order for Qualifying Non-CREST Shareholders (who are private individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of their Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in Section 4(e) of Part II (*Details of the Rights Issue*) of this document and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter.

## 16. Further Information

Your attention is drawn to the section entitled "*Risk Factors*" of this document and to Part XIII (*Additional Information*) of this document. You should read all of the information contained in this document before deciding the action to take in respect of the General Meeting and/or the Rights Issue. If you are a Qualifying Shareholder, and, subject to certain exceptions, unless you have a registered address in, or are resident or located in, any of the Excluded Territories, your attention is drawn in connection with the Rights Issue to the further information contained in Sections 9 and 10 of Part II (*Details of the Rights Issue*) of this document.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Cineworld website (www.Cineworldplc.com). It is expected that this will be on 2 February 2018.

### 17. Financial Advice

The Board has received financial advice from Investec (as sponsor), HSBC (as financial adviser) and Barclays (as financial adviser) in relation to the Acquisition. In providing their financial advice to the Cineworld Directors, Investec, HSBC and Barclays have relied on the Cineworld Directors' commercial assessments of the Acquisition.

### 18. Recommendation

**The Board considers the Acquisition, the Rights Issue and the Resolutions to be in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as all Cineworld Directors intend, or, in the case of the Major Shareholder and the trustee of trusts of which Anthony Bloom is a potential discretionary beneficiary, have irrevocably undertaken, to do in respect of the Ordinary Shares which they are interested, or in relation to which they are otherwise able to control the exercise of the voting rights, held at the time of the General Meeting, amounting to 79,105,665 Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 28.88 per cent. of Cineworld's existing issued ordinary share capital).**

Yours sincerely,

**Anthony Bloom**
*Chairman*

# PART II

# DETAILS OF THE RIGHTS ISSUE

## 1. Summary of the Rights Issue

The Company is proposing to raise gross proceeds of approximately £1.7 billion pursuant to the Rights Issue.

The Rights Issue Price of 157 pence per New Ordinary Share represents a discount of approximately 72.1 per cent. to the Closing Price of an Existing Ordinary Share of 563.5 pence on 16 January 2018 (being the latest Business Day prior to the announcement of the Rights Issue) and a 34.1 per cent. discount to the Theoretical Ex-Rights Price based on that Closing Price.

If Completion occurs, the Rights Issue proceeds will be applied (net of expenses) towards the financing of the Acquisition. In the event that Admission of the New Ordinary Shares is effected but Completion does not occur, the Cineworld Directors' current intention is that the proceeds of the Rights Issue will be applied to reducing the Company's net indebtedness on a short-term basis while the Cineworld Directors evaluate alternative uses of the funds. If no such uses can be found, the Cineworld Directors will consider how best to return the proceeds to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for Cineworld and would be subject to applicable securities laws.

## 2. Terms and conditions of the Rights Issue

Subject to the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter if they receive one), the New Ordinary Shares are being offered for acquisition by way of rights to Qualifying Shareholders on the following basis:

**4 New Ordinary Shares at 157 pence per New Ordinary Share
for every 1 Existing Ordinary Share**

held and registered in their name at the close of business on the Record Date and so in proportion for any other numbers of Ordinary Shares then held.

Qualifying Shareholders who do not take up any rights will have their proportionate shareholdings in the Company diluted by approximately 80 per cent. as a consequence of the Rights Issue.[21]

Holdings of Ordinary Shares in certificated and uncertificated form have been treated as separate holdings to calculate entitlements under the Rights Issue. Fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter into a jurisdiction other than the United Kingdom is drawn to Sections 9 and 10 of this Part II. In particular, subject to the provisions of Section 9 of this Part II, Qualifying Shareholders with registered addresses in the Excluded Territories have not been and will not be sent Provisional Allotment Letters and have not had and will not have their CREST stock accounts credited with Nil Paid Rights.

Applications will be made to the UKLA for the New Ordinary Shares (nil paid and fully paid) to be admitted to the Official List, and to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the New Ordinary Shares will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 5 February 2018 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

(21) Assuming that no Ordinary Shares other than the New Ordinary Shares are issued prior to Completion.

The Existing Ordinary Shares are already admitted to CREST. The Existing Ordinary Shares are and, when issued, the New Ordinary Shares will be in registered form and capable of being held in certificated form or uncertificated form via CREST. Applications will be made for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions are satisfied before Euroclear will admit the New Ordinary Shares to CREST. It is expected that these conditions will be satisfied on Admission of the New Ordinary Shares. As soon as practicable after Admission of the New Ordinary Shares, the Company will confirm this to Euroclear.

Subject to any relevant conditions being satisfied, it is expected that:

(i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in the Excluded Territories) following the General Meeting on 2 February 2018;

(ii) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 5 February 2018;

(iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 5 February 2018, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;

(iv) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renouncees) who validly take up their rights by 8.00 a.m. on 20 February 2018; and

(v) share certificates for the New Ordinary Shares will be despatched to relevant Qualifying Non-CREST Shareholders (or their renouncees) who validly take up their rights by no later than 27 February 2018 at their own risk.

Pursuant to the Companies Act 2006, the offer of New Ordinary Shares to Qualifying Shareholders who have no registered address in an EEA State and who have not given to the Company an address in an EEA State for the serving of notices will be made to such Qualifying Shareholders through a notice in the London Gazette, details of which are provided in Section 9(f) of this Part II. Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending an MTM Instruction to Euroclear will be deemed to have given the representations and warranties set out in Section 10 of this Part II, unless such requirement is waived by the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of allotment and issue of the New Ordinary Shares.

The Rights Issue is conditional, among other things, upon:

(a) the passing of the Resolutions at the General Meeting without material amendment;

(b) the Company having applied to Euroclear for admission of the Nil Paid Rights and Fully Paid Rights to CREST as participating securities, and no notification having been received from Euroclear on or before Admission of the New Ordinary Shares that such admission or facility for holding and settlement has been or is to be refused;

(c) Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 5 February 2018 (or such later time and/or date as the Underwriters and the Company may agree, or as may be otherwise provided for pursuant to the terms of the Underwriting Agreement); and

(d) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission of the New Ordinary Shares) and not having been rescinded or terminated in accordance with its terms prior to Admission of the New Ordinary Shares.

If a Qualifying Shareholder does not, or is not permitted to, take up its entitlement to New Ordinary Shares, then the Underwriters shall use reasonable endeavours to procure acquirers for all of those New Ordinary Shares, at a price at least equal to the Rights Issue Price and the expenses of procuring such acquirers. In the event that the Underwriters are unable to procure such acquirers, the Underwriters have agreed to underwrite fully, severally and in their Due Underwriting Proportions, the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement.

The Underwriters' obligations under the Underwriting Agreement are conditional prior to Admission of the New Ordinary Shares. The Underwriting Agreement is not subject to any right of termination after Admission of the New Ordinary Shares (including in respect of any statutory withdrawal rights). The Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in Section 6.1(b) of Part XIII (*Additional Information*) of this document.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights). None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 2 February 2018, the section of this document entitled "Expected Timetable of Principal Events" will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service, in which case all references in this Part II should be read as being subject to such adjustment.

### 3. Action to be taken by Qualifying Shareholders

The action to be taken by Qualifying Shareholders in respect of the New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and do not have a registered address in the United States or any of the other Excluded Territories (subject to certain limited exceptions), please refer to Section 4 of this Part II.

If you hold your Ordinary Shares in CREST and do not have a registered address in the United States or any of the other Excluded Territories (subject to certain limited exceptions), please refer to Section 5 of this Part II and to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

If you have any questions relating to this document, or the completion and return of the Form of Proxy or Provisional Allotment Letter, please telephone Link Asset Services between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales) on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**4. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters**

(a) ***General***

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in the Excluded Territories) on 2 February 2018. The Provisional Allotment Letter sets out:

(i) the holding of Ordinary Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

(ii) the aggregate number and cost of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;

(iii) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his or her entitlement or to convert all or part of his or her entitlement into uncertificated form;

(iv) the procedures to be followed if a Qualifying Non-CREST Shareholder who is eligible to use the Special Dealing Service wishes to sell all of his or her Nil Paid Rights or to effect a Cashless Take-up using the Special Dealing Service; and

(v) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

The latest time and date for acceptance and payment in full will be 11.00 a.m. on 19 February 2018, and the latest time and date for receipt of instructions under the Special Dealing Service in respect of the sale of all Nil Paid Rights or a Cashless Take-up will be 3.00 p.m. on 9 February 2018.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 2 February 2018, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service, in which case all relevant references in this Part II should be read as being subject to such adjustment.

(b) ***Procedure for acceptance and payment***

(i) *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights should complete the Provisional Allotment Letter in accordance with its instructions. The Provisional Allotment Letter must be returned, together with the cheque or banker's draft in Pounds Sterling, made payable to "Link Market Services Limited. RE: Cineworld Group plc Rights Issue A/C" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 19 February 2018. A prepaid business reply envelope is enclosed with the Provisional Allotment Letter (for use within the UK only). If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery (for instance, allowing four days for first class post within the UK). Payments via CHAPS, BACS or electronic transfer will not be accepted.

(ii) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights should refer to Section 4(g) of this Part II.

(iii) *Qualifying Non-CREST Shareholders who wish to dispose of some or all of their Nil Paid Rights*

Any Qualifying Non-CREST Shareholder who is permitted to, and wishes to, dispose of all or part of his or her Nil Paid Rights should contact his or her stockbroker or bank or other appropriate authorised independent financial adviser to arrange the disposal of those Nil Paid Rights in the market. The stockbroker, bank or other authorised independent financial adviser will require the Provisional Allotment Letter to arrange such a disposal and you will need to make arrangements with the stockbroker, bank or other authorised independent financial adviser for the completion of the Provisional Allotment Letter and its despatch to the stockbroker, bank or other authorised independent financial adviser. Further information about such disposals by Qualifying Non-CREST Shareholders is set out in Section 4(d) of this Part II.

Nil Paid Rights may only be transferred in compliance with applicable securities laws and regulations of all relevant jurisdictions.

(iv) *Discretion as to validity of acceptances*

If payment as set out in Section 4(b)(v) of this Part II is not received in full by 11.00 a.m. on 19 February 2018, the provisional allotment will be deemed to have been declined and will lapse. However, the Company (in consultation with the Underwriters) may, by mutual agreement, but shall not be obliged to, treat as valid acceptances in respect of which remittances for the full amount are received prior to 11.00 a.m. on 19 February 2018 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, by a time and date which are satisfactory to the Company, having consulted with the Underwriters, in its sole discretion.

The Company, having consulted with the Underwriters, may also (in its absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in, an Excluded Territory.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the Provisional Allotment Letter and subject to the Articles.

(v) *Payments*

All payments made by Qualifying Non-CREST Shareholders must be made in Pounds Sterling by cheque or banker's draft made payable to "Link Market Services Limited. RE: Cineworld Group plc Rights Issue A/C" and crossed "A/C payee only". Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque or draft to such effect. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sort code in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been allotted to Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Shareholders' acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Qualifying Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholders pursuant to the provisions of this Part II in respect of the acquisition of such shares) on behalf of such Qualifying Shareholders. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Shareholders as a result.

(c) ***Money Laundering Regulations***

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the **verification of identity requirements**). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging the Provisional Allotment Letter with payment (the **applicant**), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and agree for the Receiving Agent to make a search using a credit reference agency for the purpose of confirming such identity; where deemed necessary a record of the search will be retained. Submission of a Provisional Allotment Letter will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations.

The verification of identity requirements will not usually apply if:

(a) the applicant is an organisation required to comply with the EU Money Laundering Directive (2005/60/EC);

(b) the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(c) the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or

(d) the aggregate price for taking up the relevant New Ordinary Shares is less than EUR 15,000 (or its Pounds Sterling equivalent).

In other cases, the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

(i) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the back of the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;

(ii) if the Provisional Allotment Letter(s) is/are lodged with payment by an agent which is an organisation of the kind referred to in sub-section (a) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, Japan, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide with the Provisional Allotment Letter(s) written confirmation that it has that status and written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority.

    In order to confirm the acceptability of any written assurance referred to in this sub-section (ii), or in any other case, the applicant should contact the Receiving Agent by telephone between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales) on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Please note that the Receiving Agent cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes; or

(iii) if the Provisional Allotment Letter(s) is/are lodged by hand by the applicant in person, the applicant should ensure that they have evidence of identity bearing their photograph (for example, the applicant's passport) and separate evidence of their address.

(d) ***Dealings in Nil Paid Rights***

Dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 5 February 2018. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee.

(e) ***Special Dealing Service***

(i) *Qualifying Non-CREST Shareholders who wish to sell all of their entitlement using the Special Dealing Service*

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 3.00 p.m. on 9 February 2018, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that the Receiving Agent will charge a commission of one per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £20, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, the Receiving Agent will collate all the instructions from the Qualifying Non-CREST Shareholders wishing to use the service to sell all their Nil Paid Rights up to 3.00 p.m. on 9 February 2018 and instruct a broker to sell all such Nil Paid Rights on 14 February 2018.

The Receiving Agent will aggregate instructions from all Qualifying Non-CREST Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as being received). Such Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to sell all of the Nil Paid Rights through the Special Dealing Service receiving a higher or lower price for the Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST who is considering giving an instruction to sell all of his or her Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of the Nil Paid Rights will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST

Shareholders who elect to sell all of their Nil Paid Rights and whose instructions are aggregated for sales purposes will exceed the commissions referred to above. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of such Nil Paid Rights are less than the commissions referred to above, such Qualifying Non-CREST Shareholder will not receive any proceeds.

(ii) *Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service*

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 3.00 p.m. on 9 February 2018, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that the Receiving Agent will charge a commission of one per cent. of the gross proceeds of sale of such number of Nil Paid Rights as it required to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £20.00.

Under the Special Dealing Service, the Receiving Agent will collate all instructions from Qualifying Non-CREST Shareholders wishing to use the service to effect a Cashless Take-up up to 3.00 p.m. on 9 February 2018 and instruct a broker to sell sufficient Nil Paid Rights for Qualifying Non-CREST Shareholders to take up the remainder of their Nil Paid Rights on 14 February 2018.

The Receiving Agent will aggregate instructions from all Qualifying Non-CREST Shareholders who elect to effect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received). Such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder under the Special Dealing Service may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who elect to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non CREST Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that a Cashless Take-up will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders who elect for a Cashless Take-up under the Special Dealing Service (the **Majority**) and whose instructions are aggregated for sale purposes will be sufficient, after deducting the commissions referred to above, to take-up one New Ordinary Share for each of the Majority. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of the Nil Paid Rights are not sufficient, after deduction of the commissions referred to above, to acquire any New Ordinary Shares at the Issue Price, such Qualifying Non-CREST Shareholder will not receive any New Ordinary Shares.

(iii) *General*

By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that they will not thereafter seek to take any action in respect of their Provisional Allotment Letter. By giving your instruction under the Special Dealing Service, you will be deemed to have renounced your Nil Paid Rights, as applicable to your instruction.

The Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter. A Qualifying Non-CREST Shareholder who is eligible for and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of his or her sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders using the Special Dealing Service should note that they will be clients of Link Asset Services and not of the Company when using such service. Link Asset Services' liability to such a Qualifying Non-CREST Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions and neither Link Asset Services nor the Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder using the Special Dealing Service, except as set out in the Special Dealing Service Terms and Conditions. None of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Link Asset Services and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders and may each in their sole discretion interpret instructions (including handwritten markings) on the Provisional Allotment Letter, and none of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion. All remittances will be sent by post, at the risk of the Qualifying Non-CREST Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders). No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

The Company, Link Asset Services and/or their agents cannot offer financial, legal, tax or investment advice on the Special Dealing Service. The Special Dealing Service is an "execution only" service and not a recommendation to buy, sell or otherwise deal in Nil Paid Rights. The Special Dealing Service Terms and Conditions apply to the Special Dealing Service. The value of Ordinary Shares and any income derived from them can fluctuate and, when sold, investors may receive less than the original amount invested. The Special Dealing Service is provided by Link Asset Services, a trading name of Link Market Services Limited, which is authorised by the FCA.

(f) ***Dealings in Fully Paid Rights***

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only), with the Receiving Agent, so as to be received not later than 11.00 a.m. on 19 February 2018. To do this, a Qualifying Non-CREST Shareholder will need to have his or her fully paid Provisional Allotment Letter returned to him or her after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking Box 4 on page 4 of the Provisional Allotment Letter.

After 8.00 a.m. on 20 February 2018, the New Ordinary Shares will be in registered form and transferable in the usual way.

(g) ***Renunciation and splitting of Provisional Allotment Letters***

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 19 February 2018.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his or her name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights, but to different persons, he or she may have the Provisional Allotment Letter split, for which purpose he or she must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 3.00 p.m. on 15 February 2018, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The Provisional Allotment Letter will then be cancelled and exchanged for split Provisional Allotment Letters. The split Provisional Allotment Letter representing the New Ordinary Shares they wish to accept should be delivered together with the cheque or banker's draft in Pounds Sterling for the appropriate amount, made payable to "Link Market Services Limited. RE: Cineworld Group plc Rights Issue A/C" and crossed "A/C payee only" by 11.00 a.m. on 19 February 2018, the last date and time for acceptance. The second Provisional Allotment Letter (representing the New Ordinary Shares they do not wish to take up) will be required in order to sell those rights.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete the boxes on page 1 of the Provisional Allotment Letter and Form X on page 4 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Link Asset Services together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque for the appropriate amount made payable to "Link Market Services Limited. RE: Cineworld Group plc Rights Issue A/C" and crossed A/C payee only and with the Allotment Number which appears on page 1 of the Provisional Allotment Letter, written on the reverse of the cheque or banker's draft to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or banker's draft must be received by the Receiving Agent by 3.00 p.m. on 15 February 2018, being the last date and time for splitting Nil Paid Rights.

The Company reserves the right to refuse to register any renunciation in favour of any person where the Company believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

(h) ***Registration in names of Qualifying Shareholders***

A Qualifying Shareholder who wishes to have all the New Ordinary Shares to which he or she is entitled registered in his or her name must accept and make payment for such allotment in accordance with the provisions set out in this document and (in the case of Qualifying Non-CREST Shareholders) the Provisional Allotment Letter.

(i) ***Registration in names of persons other than Qualifying Shareholders originally entitled***

To register the New Ordinary Shares in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renouncee or his or her agent(s) must complete Form Y on page 4 of the Provisional Allotment Letter (unless the renouncee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed (see Section 4(j) of this Part II)) and send the entire Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services so as to be received by not later than 11.00 a.m. on 19 February 2018. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

The New Ordinary Shares comprised in two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters, complete Form Y on page 4 of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number (as shown on page 1 of the Provisional Allotment Letter), the number of New Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated. All the Provisional Allotment Letters to be consolidated must be lodged in one batch together.

(j) ***Deposit of Nil Paid Rights or Fully Paid Rights into CREST***

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the following Section or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. Shareholders are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS (as this term is defined in the CREST Manual). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If a Shareholder wishes to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, he or she must first apply for split Provisional Allotment Letters in accordance with Section 4(g) of this Part II. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 February 2018. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 February 2018) is 3.00 p.m. on 14 February 2018.

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y on page 4 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

(k) ***Issue of New Ordinary Shares in definitive form***

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by no later than 27 February 2018, at the risk of persons entitled thereto, to Qualifying Non-CREST Shareholders or to persons entitled thereto at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

## 5. Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights in CREST

(a) ***General***

Subject as provided in Sections 9 and 10 in this Part II in relation to Qualifying Shareholders with registered addresses, or who are resident or located in the United States or any of the Excluded Territories, each Qualifying CREST Shareholder is expected to receive a credit to his or her CREST stock account of his or her entitlement to Nil Paid Rights on 5 February 2018. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he or she receives a credit of entitlement into his or her stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate.

References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlement or otherwise deal with your Nil Paid Rights or Fully Paid Rights.

(b) ***Procedure for acceptance and payment***

(i) *MTM Instructions*

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM Instruction to Euroclear which, on its settlement, will have the following effect:

(a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-section (a) above; and

(c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM Instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his or her Nil Paid Rights referred to in sub-section (a) above.

(ii) *Contents of MTM Instructions*

The MTM Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;
- the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29485CIN;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;

- the amount payable by means of the CREST assured payment arrangements on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date (which must be on or before 11.00 a.m. on 19 February 2018);
- the Nil Paid ISIN which is GB00BFWK5303;
- the Fully Paid ISIN which is GB00BFWK5741;
- the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- a contact name and telephone number (in the free format shared note field); and
- a priority of at least 80.

(iii) *Valid acceptance*

An MTM Instruction complying with each of the requirements as to authentication and contents set out in sub-section (b) (ii) of this Section 5 of this Part II will constitute a valid acceptance where either:

(a) the MTM Instruction settles by not later than 11.00 a.m. on 19 February 2018; or

(b) at the discretion of the Company: (i) the MTM Instruction is received by Euroclear by not later than 11.00 a.m. on 19 February 2018; (ii) the number of Nil Paid Rights inserted in the MTM Instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM Instruction at 11.00 a.m. on 19 February 2018; and (iii) the relevant MTM Instruction settles by 2.00 p.m. on 19 February 2018 (or such later date as the Company has determined).

An MTM Instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider’s Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member’s CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM Instruction by the Network Provider’s Communications Host.

(iv) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this Section 5 of this Part II represents, warrants and undertakes to the Company and the Underwriters that he or she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her/it or by his/her/its CREST sponsor (as appropriate) to ensure that the MTM Instruction concerned is capable of settlement at 11.00 a.m. on 19 February 2018 and remains capable of settlement at all times after that until 2.00 p.m. on 19 February 2018 (or until such later time and date as the Company and the Underwriters may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 19 February 2018 and at all times thereafter that until 2.00 p.m. on 19 February 2018 (or until such later time and date as the Company and the Underwriters may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM Instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. In addition, such CREST sponsored member taking up entitlements makes the representations and gives the warranties set out in Section 10(b) of this Part II.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part II in respect of the acquisition of such New Ordinary Shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(v) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM Instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his or her CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 19 February 2018. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in this Section 5 of this Part II: (a) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in Pounds Sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in Pounds Sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Receiving Agent the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Articles.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part II in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, neither the Underwriters nor the Company shall be responsible for, or have any liability for, any loss, expenses or damage arising as a result.

(vii) *Discretion as to rejection and validity of acceptances*

The Company may (having consulted with the Underwriters) agree in its absolute discretion to:

(a) reject any acceptance constituted by an MTM Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this Section 5 of this Part II (and, to the extent applicable, pursuant to Section 10(b) of this Part II). Where an acceptance is made as described in this Section 5 of this Part II which is otherwise valid, and the MTM Instruction concerned fails to settle by 2.00 p.m. on 19 February 2018 (or by such later time and date as the Company and the Underwriters may determine), the Company and the Underwriters shall be entitled to assume, for the purposes of the Company's right to reject an acceptance as described in this Section 5 of this Part II, that there has been a breach of the representations, warranties and undertakings set out or referred to in this Section 5 of this Part II.

(b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this Section 5 of this Part II;

(c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM Instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;

(d) treat a properly authenticated dematerialised instruction (in this sub-section the **first instruction**) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the Uncertificated Securities Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(e) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all of part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

(c) ***Money Laundering Regulations***

If a person holds his or her Nil Paid Rights in CREST and applies to take up all or part of his or her entitlement as agent for one or more persons, and he or she is not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf the person is making the application. Such person must therefore contact the

Receiving Agent before sending any MTM Instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company and the Underwriters, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM Instruction concerned to proceed to settlement, but without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

(d) ***Dealings in Nil Paid Rights***

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 5 February 2018. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 19 February 2018.

(e) ***Dealings in Fully Paid Rights***

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 19 February 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 19 February 2018.

After 20 February 2018, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way.

(f) ***Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST***

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 13 February 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 February 2018. It is recommended that you refer to the CREST Manual for details of such procedures.

(g) ***Issue of New Ordinary Shares in CREST***

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 19 February 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 20 February 2018).

(h) ***Right to allot/issue in certificated form***

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

**6. Procedure in respect of New Ordinary Shares not taken up**

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment shall be deemed to have been declined and will lapse. If an entitlement to New Ordinary Shares is not validly taken up by 11.00 a.m. on 19 February 2018 in accordance with the procedure laid down for acceptance and payment, then the Underwriters will use reasonable endeavours to procure, by not later than 4.30 p.m. on 22 February 2018, acquirers for all (or as many as possible) of those New Ordinary Shares not taken up, provided that an amount not less than the total of the Rights Issue Price and the expenses of procuring such acquirers (including any related commissions and amounts in respect of VAT which are not recoverable) can be obtained.

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such acquirers if, in their opinion, it is unlikely that any such acquirers can be so procured at such a price by such time. If and to the extent that acquirers cannot be procured on the basis outlined above, those of the relevant New Ordinary Shares in respect of which acquirers have not been found will be acquired by the Underwriters as principals pursuant to the Underwriting Agreement in the Due Underwriting Proportions or by sub-underwriters procured by the Underwriters, in each case, at the Rights Issue Price.

New Ordinary Shares for which acquirers are procured on this basis will be re-allotted to such acquirers and the aggregate of any premiums (being the amount paid by such acquirers after deducting the price at which the New Ordinary Shares are offered pursuant to the Rights Issue and the expenses of procuring such acquirers, including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments on the basis set out below:

(i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;

(ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and

(iii) where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder with an address in the United States or any Excluded Territory, to that Overseas Shareholder,

save that no payment will be made of amounts of less than £5 (five Pounds Sterling), which amounts will be aggregated and will ultimately accrue to the benefit of the Company.

Any transactions undertaken pursuant to this Section 6 of this Part II shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Underwriters or any other person procuring acquirers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure acquirers, or the failure to procure acquirers on the basis described above. Cheques for the amounts due will be sent in Pounds Sterling, by post, at the risk of the person(s) entitled, to their registered addresses (in the case of joint holders, to the registered address of the first named), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Shareholders will not be entitled to apply for New Ordinary Shares in excess of their entitlement.

## 7. Withdrawal rights

Persons wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementing this document, if any, must do so by sending a written notice of withdrawal, which must include the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or email to withdraw@linkgroup.co.uk (for further details, Shareholders should contact the Receiving Agent by telephone between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales) on +44 (0)371 664 0321) no later than two Business Days after the date on which the supplementary prospectus is published, with any withdrawal becoming effective on receipt of such notice by the Receiving Agent. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Please note that the Receiving Agent cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment in full by the relevant person in respect of their New Ordinary Shares taken up and the allotment of those New Ordinary Shares to such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of Section 6 of this Part II as if the entitlement had not been validly taken up.

## 8. Employee Share Schemes

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

## 9. Overseas Shareholders and selling and transfer restrictions

This document has been approved by the FCA, being the competent authority in the UK. It is expected that Qualifying Shareholders in each EEA State will be able to participate in the Rights Issue.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to take up rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories.

**The comments set out in this Section 9 of this Part II are intended as a general guide only, and any Overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.**

(a) ***General***

The offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

This Section 9 of this Part II sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Overseas Shareholders with registered addresses in the Excluded Territories or to their agent or intermediary, except where the Company and the Underwriters are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Having considered the circumstances, the Cineworld Directors have formed the view that it is necessary or expedient to restrict the ability of Qualifying Shareholders in the US and the other Excluded Territories to take up their rights under the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who has received or receives a copy of this document and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he or she in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, in the relevant territory, unless such an invitation or offer could lawfully be made to him, or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with, without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons who have received a copy of this document or a Provisional Allotment Letter, or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights, should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, any Excluded Territory. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by his/her agent or nominee, he or she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document, or renounce the Provisional Allotment Letter, or transfer the Nil Paid Rights or Fully Paid Rights in CREST, unless the Company determines (in consultation with the Underwriters) that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter in or into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this Section 9 of this Part II.

Subject to sub-sections (b) and (d) of this Section 9 of this Part II, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up their rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities, and paying any issue, transfer or other taxes due in such territories. Any Qualifying Shareholder who is in any doubt as to his, her or its position should consult his, her or its professional advisers without delay.

The Company may treat as invalid any acceptance or purported acceptance of the offer of Fully Paid Rights, Nil Paid Rights or New Ordinary Shares which appears to the Company (in consultation with the Underwriters), or its agents, to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in or, in the case of a credit of New Ordinary Shares in CREST, a CREST member or CREST sponsored member whose registered address is in, any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit, or if the Company (in consultation with the Underwriters), or its agents, believe that the same may violate applicable legal or regulatory requirements. The attention of US persons and Qualifying Shareholders with registered addresses in the United States or holding Ordinary Shares on behalf of persons with such addresses is drawn to Section 9(b) of this Part II. The attention of Qualifying Shareholders with registered addresses in other territories outside of the United Kingdom or holding Ordinary Shares on behalf of persons with such addresses is drawn to Section 9(d) of this Part II.

Despite any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his/her rights if the Company (in consultation with the Underwriters) in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he or she is a Qualifying Non-CREST Shareholder or, if he or she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Qualifying Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in Sections 4(b) and 5(b) of this Part II.

The provisions of this Section 9 of this Part II will apply to all Overseas Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them. Accordingly, such Overseas Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Underwriters will use reasonable endeavours to procure, on behalf of such Overseas Shareholders, acquirers for the New Ordinary Shares.

Specific restrictions relating to certain jurisdictions are set out below.

(b) ***United States***

Subject to certain exceptions, this document and the Provisional Allotment Letters are intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and are not to be sent or given to any person with a registered address, or who is resident or located in, the United States. Subject to certain exceptions, neither this document nor the Provisional Allotment Letters constitute or will constitute an offer, or an invitation to apply for, or an offer or invitation to acquire, any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in the United States. Except in the limited circumstances described below, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in the United States.

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The offer by way of Nil Paid Rights and Fully Paid Rights will be made to Qualifying Shareholders by means of the notice in the London Gazette referred to in Section 9(f) of this Part II. The notice in the London Gazette will state where a Provisional Allotment Letter may be inspected or obtained.

Cineworld reserves the right to treat as invalid any Provisional Allotment Letter: (i) that appears to it or its agents to have been executed in or despatched from the United States or that provides an address in the United States for the acceptance or renunciation of the Rights Issue; (ii) that does not include the relevant warranty set out in the Provisional Allotment Letter headed "Overseas Shareholders" to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address (and is not otherwise located) in the United States and is not acquiring the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States; or (iii) where Cineworld believes acceptance of such Provisional Allotment Letter may violate applicable legal or regulatory requirements, Cineworld shall not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, Cineworld and the Underwriters reserve the right to reject any MTM Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of Nil Paid Rights.

Notwithstanding the foregoing, the Nil Paid Rights may be offered and delivered to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Qualifying Shareholders whom Cineworld determines, in its sole discretion, are able, based on such procedures and certifications as it deems appropriate, to participate in the Rights Issue pursuant to an applicable exemption from the registration requirements of the Securities Act (each a **Permitted US Shareholder**). Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a Permitted US Shareholder is required to disregard them.

Permitted US Shareholders that satisfy the Company as to their status may exercise the Nil Paid Rights and the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in this document. Permitted US Shareholders must also complete, execute and return to the Company, an Investor Representation Letter as described in Section 10(d) of this Part II, and may be required to make certain certifications in the Provisional Allotment Letter for the Nil Paid Rights and the Fully Paid Rights. Overseas Shareholders who hold Ordinary Shares through a bank, a broker or other financial intermediary, should procure that the relevant bank, broker or financial intermediary submits an Investor Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed Investor Representation Letter or any other required additional documentation.

Potential purchasers of the New Ordinary Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of such New Ordinary Shares. Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. No representation has been, or will be, made by the Company or any of the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

For the purposes of the Rights Issue, Cineworld will be relying on an exemption from the registration requirements under the Securities Act for an offer and sale that do not involve a public offering in the United States. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be deposited, or caused to be deposited, in any unrestricted depositary receipt facility in the United States.

(c) ***US transfer restrictions; Procedures for exercising the Nil Paid Rights and Fully Paid Rights in the United States***

The offering and delivery of the Provisional Allotment Letters and the Nil Paid Rights, and the offering and sale of the Fully Paid Rights or New Ordinary Shares in the United States to a limited number of Permitted US Shareholders is being made in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or the Provisional Allotment Letters has been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, taken up, exercised, resold, renounced, pledged or otherwise transferred or delivered, directly or indirectly, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act or pursuant to an effective registration statement under the Securities Act.

In order to exercise the Nil Paid Rights and Fully Paid Rights, each Permitted US Shareholder will be required to execute and deliver to Cineworld such certifications and other instruments as Cineworld shall, in its sole discretion, determine.

The provisions of Section 6 of this Part II will apply to any New Ordinary Shares not taken up. Accordingly, subject to certain exceptions, Qualifying Shareholders with registered addresses in the United States who are not otherwise participating as a Permitted US Shareholder will be treated as holders who are not participating in the Rights Issue, and the Underwriters will endeavour to sell the New Ordinary Shares relating to such holders' entitlements on such holders' behalf.

(d) ***Excluded territories***

Due to restrictions under the securities laws of the Excluded Territories, and subject to certain exceptions, no Provisional Allotment Letters will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to, a stock account in CREST of, persons with registered addresses, or who are resident or located, in the Excluded Territories and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of Section 6 of this Part II. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be transferred or sold to, or renounced or delivered in, the Excluded Territories. No offer of New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters in to the Excluded Territories. The offer by way of Nil Paid Rights and Fully Paid Rights will be made to such Shareholders by means of the notice in the London Gazette referred to in Section 9(f) of this Part II.

The notice in the London Gazette will state where a Provisional Allotment Letter may be inspected or obtained. Any person with a registered address, or who is resident or located, in any of the Excluded Territories who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

(e) ***Other overseas territories***

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying Non-CREST Shareholders who have registered addresses in the Excluded Territories) and Nil Paid Rights have been and, where relevant, will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). Qualifying Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of Section 6 of this Part II.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights (Shareholders only) or New Ordinary Shares.

If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

(i) ***Canada***

This document constitutes an "exempt offering document" and/or an "offering memorandum" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the securities described herein (the **Securities**). No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the Securities and any representation to the contrary is an offence.

**Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that Cineworld and the Underwriters in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.**

*Resale Restrictions*

The offer and sale of the Securities in Canada is being made on a private placement basis only and is exempt from the requirement that Cineworld prepares and files a prospectus under applicable Canadian securities laws. Any resale of Securities acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Securities outside of Canada.

*Representations of Purchasers*

Each Canadian investor who purchases the Securities will be deemed to have represented to Cineworld, the Underwriters and to each dealer from whom a purchase confirmation is received, as applicable, that the investor (i) is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 Prospectus Exemptions or, in Ontario, as such term is defined in section 73.3(1) of the Securities Act (Ontario); and (iii) is a "permitted client" as such term is defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

*Taxation and Eligibility for Investment*

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the Securities and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the Securities or with respect to the eligibility of the Securities for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

*Rights of Action for Damages or Rescission*

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

*Language of Documents*

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

(ii) ***EEA States (other than the UK)***

In relation to each EEA State which has implemented the Prospectus Directive (each, a **relevant member state**) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the **relevant implementation date**) no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time:

(a) to any legal entity which is a "qualified investor", as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the relevant member state has implemented provisions of the relevant amending directive (2010/73/EU), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression "an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public" in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

(f) ***Notice in the London Gazette***

In accordance with section 562(3) of the Companies Act, the offer of Nil Paid Rights or Fully Paid Rights to Qualifying Shareholders who have no address in an EEA State and who have not given to the Company an address in an EEA State for the serving of notices, will (subject to the other conditions of the Rights Issue) be made by the Company causing a notice to be published in the London Gazette on 5 February 2018 stating where copies of this document and the Provisional Allotment Letters may be obtained or inspected on personal application by or on behalf of such Qualifying Shareholders. Any person with a registered address, or who is resident or located, in the United States or any of the Excluded Territories who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

However, in order to facilitate acceptance of the offer made to such Qualifying Shareholders by virtue of such publication, Provisional Allotment Letters will also be posted to Qualifying Shareholders who are Overseas Shareholders (other than, subject to certain exceptions, to those with registered addresses in, or who are resident in, the United States or any of the Excluded Territories). Such Shareholders, if it is lawful to do so, may accept the offer of Nil Paid Rights or Fully Paid Rights either by returning the Provisional Allotment Letter posted to them in accordance with the instructions set out therein or, subject to surrendering the original Provisional Allotment Letter posted to them, by obtaining a copy thereof from the place stated in the notice and returning it in accordance with the instructions set out there. Similarly, Nil Paid Rights are expected to be credited to stock account in CREST of Qualifying CREST Shareholders who are Overseas Shareholders (other than, subject to certain exceptions, those with registered addresses, or who are resident in, the United States or any of the Excluded Territories).

**10. Additional representations and warranties**

(a) ***Qualifying Non-CREST Shareholders***

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within the United States or is otherwise located in the United States, (ii) such person is not in any of the other Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it, (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the Excluded Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the person giving such instruction has confirmed that it has the authority to give such instruction, and either (x) has investment discretion over such account or (y) is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S, and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any territory referred to in (ii) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in or despatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company or its agents believe the same may violate any applicable legal or regulatory requirement, (b) provides an address in the United States or any of the other Excluded Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, or (c) purports to exclude the warranty required by this Section.

(b) ***Qualifying CREST Shareholders***

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting or requesting registration of the relevant New Ordinary Shares from within the United States or is otherwise located in the United States, (ii) such person is not in any of the other Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire New Ordinary Shares, (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the Excluded Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the person giving such instruction has confirmed that it has the authority to give such instruction, and either (x) has investment discretion over such account or (y) is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S, and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any territory referred to in (ii) above.

The Company may treat as invalid any MTM Instruction which appears to the Company to have been despatched from the United States, any of the other Excluded Territories or from any territory in which it is otherwise unlawful to make or accept an offer to acquire the Fully Paid Rights or New Ordinary Shares, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company or its agents believes the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this Section.

(c) ***Further representations applicable to Qualifying Shareholders outside the United States***

Each person or purchaser (except for Permitted US Shareholders executing an Investor Representation Letter) to whom the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letter are distributed, offered or sold, directly or through its direct or indirect nominee, will also be deemed by its subscription for, or purchase of, the New Ordinary Shares to represent, warrant and agree that:

(i) it is, and the person, if any, for whose account or benefit it is acting is, outside the United States (within the meaning of Regulation S) at the time (x) it, or its direct or indirect nominee, receives the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, (y) it, or its direct or indirect nominee, makes its subscription, or (z) in the case of a purchaser, the buy order for such securities is originated outside the United States;

(ii) it understands that the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to significant restrictions on transfer;

(iii) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act;

(iv) it has carefully read and understands this Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to any persons within the United States, nor will it do any of the foregoing;

(v) the Company and the Underwriters and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and will not recognise any offer, sale, pledge or other transfer of the securities made other than in compliance with the above stated restrictions; and

(vi) if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Banks, and, if it is acquiring any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

(d) ***Further representations applicable to Qualifying Shareholders within the United States***

To establish eligibility, each Permitted US Shareholder will further be specifically required to execute an Investor Representation Letter, pursuant to which such Permitted US Shareholder will acknowledge, represent to and agree with the Company and the Underwriters, among other things, that:

(i) it understands and acknowledges that the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;

(ii) it is (a) a "qualified institutional buyer" as defined in Rule 144A under the Securities Act and, if it is acting for the accounts of other persons, such persons are also "qualified institutional buyers", and (b) aware that any offer or sale of the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares to it pursuant to the Rights Issue will be made by way of a private placement in a transaction exempt from, or otherwise not subject to, the registration requirements of the Securities Act;

(iii) in the normal course of its business, it invests in or purchases securities similar to the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares and (a) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares, (b) it, and any accounts for which it is acting, is able to bear the economic risk of an investment in the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares for an indefinite period and (c) it has concluded on the basis of information available to it that it is able to bear the risks associated with such investment;

(iv) it is acquiring the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue (a) for its own account or for other accounts for which it is acting as duly authorised fiduciary or agent or (b) for a discretionary account or accounts as to which it has complete investment discretion and the authority to make these representations, warranties, agreements and acknowledgements contained in the Investor Representation Letter, in either case, for investment purposes and not with a view to distribution within the meaning of the Securities Act;

(v) it has received and read a copy of this document, including the documents and information incorporated by reference herein, has had the opportunity to ask questions of representatives of the Company concerning the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares, and has made its own investment decision to acquire the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue on the basis of its own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares;

(vi) it acknowledges and agrees that it has held and will hold this document and any Provisional Allotment Letter in confidence, it being understood that this document and any Provisional Allotment Letter that it has received or will receive are solely for its use and that it has not duplicated, distributed, forwarded, transferred or otherwise transmitted this document, any Provisional Allotment Letter or any other presentational or other materials concerning the Rights Issue (including electronic copies thereof) to any persons within the United States, and acknowledge and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by it within the United States;

(vii) it has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares;

(viii) it acknowledges and agrees that it has not acquired the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

(ix) it acknowledges and agrees that the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares may not be reoffered, sold, pledged or otherwise transferred, and that it will not directly or indirectly reoffer, sell, pledge or otherwise transfer the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares, except (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act; (b) with respect to the New Ordinary Shares only, to a qualified institutional buyer pursuant to Rule 144A under the Securities Act; or (c) with respect to the New Ordinary Shares only, pursuant to an exemption from the registration requirements of the Securities Act pursuant to Rule 144 thereunder (if available), or any other exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, subject to delivery to the Company of an opinion of counsel (and such other evidence as the Company may reasonably require) that such transfer or sale is in compliance with the Securities Act and that in each case, such offer, sale pledge or transfer must and will be made in accordance with any applicable securities laws of any state or other jurisdiction of the United States;

(x) it understands that Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that, for so long as they remain "restricted securities", the New Ordinary Shares may not be deposited into any unrestricted depositary facility established or maintained by a depositary bank;

(xi) to the extent it has received or does receive a Provisional Allotment Letter, it understands and agrees that it shall bear a legend substantially in the form below:

"THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES OF CINEWORLD GROUP PLC (THE "COMPANY") TO WHICH THIS PROVISIONAL ALLOTMENT LETTER RELATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES MAY NOT, SUBJECT TO CERTAIN EXCEPTIONS, BE OFFERED, SOLD, TAKEN UP OR DELIVERED, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA OR ITS TERRITORIES OR POSSESSIONS."

(xii) it understands and acknowledges that upon the initial issuance thereof, and until such time as the same is no longer required under the Securities Act or applicable state securities laws, the certificates representing the New Ordinary Shares (to the extent such New Ordinary Shares are in certificated form), and all certificates issued in exchange therefore or in substitution thereof, shall bear a legend substantially in the form below:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "'SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. BY ITS ACCEPTANCE OF THESE SECURITIES THE PURCHASER REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND THAT IT IS EITHER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER PURCHASERS WHO ARE QIBs AND AGREES THAT THE SECURITIES ARE NOT BEING ACQUIRED WITH A VIEW TO DISTRIBUTION AND ANY RESALE OF SUCH SECURITIES WILL BE MADE ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON

ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR ANY OTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

(xiii) it understands and acknowledges that no representation has been, or will be, made by the Company or any of the Underwriters as to the availability of Rule 144 under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares;

(xiv) it understands and acknowledges that the Company may make notation on its records or give instructions to the Registrar and any transfer agent of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares in order to implement the restrictions on transfer set forth and described herein;

(xv) none of the Underwriters, their respective affiliates, nor persons acting on behalf of any of them have made any representation to it, express or implied, with respect to the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares, or the accuracy, completeness or adequacy of such financial and other information concerning the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares;

(xvi) it understands that this document has been prepared in accordance with UK format and style, which differs from US format and style. In particular, but without limitation, the financial information contained in this document relating to the Rights Issue has been prepared in accordance with IFRS, and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles; and

(xvii) it acknowledges that the Company, its affiliates, the Underwriters, their respective affiliates, the Registrar and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and understands the Company, its affiliates, the Underwriters, their respective affiliates, the Registrar and others will rely upon the Investor Representation Letters to comply with United States and other securities laws. Accordingly, it authorises the Company or the Underwriters to produce its Investor Representation Letter or a copy thereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters set forth herein.

## 11. Waiver

The provisions of Sections 9 and 10 of this Part II and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of Sections 9 and 10 of this Part II supersede any terms of the Rights Issue inconsistent herewith. References in Sections 9 and 10 of this Part II and in this Section 11 of this Part II to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this Section 11 of this Part II shall apply to them jointly and to each of them.

## 12. Taxation

Information on taxation in the United Kingdom in relation to the Rights Issue is set out in Part A of Part XI (*Taxation*) of this document. Information on taxation in the United States in relation to the Rights Issue is set out in Part B of Part XI (*Taxation*) of this document.

The information contained in Part XI (*Taxation*) of this document is intended only as a general guide to the current tax position in the United Kingdom and the United States. Qualifying Shareholders in the United Kingdom and the United States should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

### 13. Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the date that dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document, and in such circumstances shall notify the UKLA, and a Regulatory Information Service and, if appropriate, Shareholders.

If a supplementary prospectus is issued by the Company two days or fewer prior to the date specified in this document as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between the Company and the Underwriters), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Dealing Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

### 14. Governing law and jurisdiction

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter (where appropriate) and any non-contractual obligation arising out of or related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter (where appropriate). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

# PART III

# TERMS AND CONDITIONS OF THE ACQUISITION

**1. Merger Agreement**

1.1 ***Introduction***

On 5 December 2017, the Company, Regal, HoldCo and MergerCo entered into an agreement and plan of merger (the **Merger Agreement**). Under the terms of the Merger Agreement, MergerCo shall be merged with and into Regal and, immediately following the merger, Regal will be an indirect wholly-owned subsidiary of Cineworld. The Acquisition will be implemented by way of a statutory merger in accordance with the laws of the State of Delaware.

The Merger Agreement is governed by the laws of the State of Delaware. The following is a summary of the principal terms of the Merger Agreement.

1.2 ***Consideration***

The Acquisition will be implemented at a price of US$23.00 per Regal Share. The total consideration payable by Cineworld for the issued and to be issued share capital of Regal will be US$3.6 billion (£2.6 billion) in cash, with an implied enterprise value of US$5.8 billion (£4.2 billion).[22]

Upon the due filing of the certificate of merger with the Secretary of State of Delaware or at such subsequent time as the Company and Regal may agree and specify in the certificate of merger, on the terms and subject to the conditions set out in the Merger Agreement, each Regal Share outstanding immediately prior to Completion (other than (i) Regal Shares held in the treasury of Regal and Regal Shares held by Regal, its subsidiaries, the Company, HoldCo, MergerCo or any other subsidiary of the Company, which shall be cancelled; and (ii) Regal Shares held by any holder who properly demands appraisal rights of such Regal Shares as a dissenting shareholder in accordance with the relevant laws of the State of Delaware) shall be automatically converted into a right to receive US$23.00 in cash, without interest.

Regal equity awards outstanding immediately prior to Completion which are subject solely to time-based vesting conditions will automatically become fully vested and be cancelled and converted into a right to receive US$23.00 in cash per Regal share, without interest.

Regal equity awards outstanding immediately prior to Completion which are subject to performance-based vesting conditions will automatically vest with respect to the target number of shares which could be earned pursuant to such awards and be cancelled and converted into a right to receive an amount in cash equal to the sum of: (i) US$23.00 for each Regal Share underlying the relevant award, without interest; and (ii) dividends paid with respect to the target number of Regal Shares underlying the relevant award from the grant date of such award to Completion.

1.3 ***Conditions***

Completion under the Merger Agreement is subject to, and can only occur upon satisfaction or waiver of, a number of conditions, including:

(a) the approval of the Resolutions by Shareholders at the General Meeting (the **Cineworld Shareholder Approval**);

(b) the approval of the Merger Agreement by the Regal Stockholders (the **Regal Stockholder Approval**), by way of a written consent substantially in the form prescribed in the Anschutz-Cineworld Voting Agreement (the **Written Consent**) delivered by Anschutz or, if such Written Consent is not delivered, at a meeting of the Regal Stockholders;

(22) Converted into pounds sterling at the exchange rate as at the Latest Practicable Date, being US$1:£0.7262.

(c) the expiry or early termination of any waiting period (and any extension of such period) applicable to the Acquisition under the HSR Act;

(d) Admission of the New Ordinary Shares having occurred; and

(e) no effect, development, circumstance or change having occurred, individually or in the aggregate, that has had or would reasonably be expected to have a material adverse effect on the Regal Group (subject to certain exceptions, including, *inter alia*, any effect, event, development, circumstance or change resulting from or arising out of (i) general economic conditions, (ii) conditions in securities or other financial markets, (iii) conditions in Regal's industry, (iv) political conditions or acts of war, sabotage or terrorism, (v) natural disasters, (vi) the announcement of the Acquisition, (vii) actions taken or not taken in accordance with the Merger Agreement, (viii) changes in law, regulation, or accounting standards, (ix) fees or expenses incurred in connection with the Acquisition, (x) changes in Regal's stock price or trading volume of Regal's stock, or (xi) any shareholder lawsuits arising out of the Acquisition or any transaction contemplated by the Merger Agreement)).

Under the terms of the Merger Agreement, the Company and Regal are obliged to co-operate and use reasonable best efforts to complete the Acquisition as promptly as practicable.

Early termination of the waiting period applicable to the Acquisition under the HSR Act was granted by the U.S. Federal Trade Commission on 8 January 2018 and the condition described at paragraph (c) above was accordingly satisfied as of that date.

1.4 ***Representations, warranties and covenants***

The Merger Agreement contains representations and warranties, covenants, undertakings and conditions that are customary for a US acquisition of the size and nature of the Acquisition.

In particular, each of the Company and Regal is subject to covenants concerning their respective obligations (in the case of the Company) to call and hold the General Meeting for the purposes of obtaining the Cineworld Shareholder Approval and (in the case of Regal) to procure the delivery to the Company of the Written Consent and, only if the Written Consent is not delivered, to call and hold a meeting of Regal Stockholders for the purposes of obtaining the Regal Stockholder Approval.

1.5 ***Go-shop and no solicitation***

During the period between the date of the Merger Agreement and midnight (New York Time) on 22 January 2018 (the **Go-Shop Deadline**), Regal may solicit other proposals, offers or indications of interest to merge or combine with the Regal Group, or otherwise acquire 20 per cent. or more of the Regal Shares or of the assets of the Regal Group (each an **Alternative Acquisition Proposal**). Although Regal's right to solicit Alternative Acquisition Proposals terminates with effect from the Go-Shop Deadline, Regal is permitted to continue discussions with any parties who have submitted prior to such deadline an Alternative Acquisition Proposal which the Regal Board determines in good faith and following consultation with its external advisers constitutes or may reasonably be expected to lead to a bona fide written proposal to acquire more than 50 per cent. of the Regal Shares or of the assets of the Regal Group on terms which would be more favourable to Regal Stockholders than the Merger Agreement (a **Superior Acquisition Proposal**). In addition, Regal is permitted to enter into negotiations regarding Alternative Acquisition Proposals received after the Go-Shop Deadline (but before Regal Stockholder Approval has been granted), where the Regal Board determines in good faith and following consultation with its external advisers that any such Alternative Acquisition Proposal constitutes or may reasonably be expected to lead to a Superior Acquisition Proposal. In the event that Regal receives a Superior Acquisition Proposal, the Regal Board shall be entitled to change its recommendation and/or terminate the Merger Agreement in order to enter into a definitive agreement regarding such Superior Acquisition Proposal only if: (i) the Regal Board determines in good faith (after consultation with its financial and legal advisers) that failure to do so would be inconsistent with its fiduciary duties; (ii) the Alternative Acquisition Proposal is not the result of a material breach of the relevant non-solicitation provisions contained in the Merger Agreement; and

(iii) Regal has notified the Company in writing of the existence and terms of the Alternative Acquisition Proposal and, if the Company so requests, entered into a period of good faith negotiations with the Company with respect to the Company's proposed adjustments to the terms and conditions of the Merger Agreement so that such Alternative Acquisition Proposal would cease to constitute a Superior Acquisition Proposal. Regal must otherwise cease any solicitation, encouragement, discussions or negotiations with any persons with respect to an Alternative Acquisition Proposal immediately following the Go-Shop Deadline.

Cineworld may not solicit proposals, offers or indications of interest to merge or combine with the Cineworld Group, or otherwise acquire 20 per cent. or more of Ordinary Shares or of the assets of the Cineworld Group (a **Cineworld Acquisition Proposal**). If, however, at any time prior to receipt of Cineworld Shareholder Approval, Cineworld receives a Cineworld Acquisition Proposal which the Board determines in good faith and following consultation with its external advisers to constitute or to be reasonably expected to lead to a bona fide written proposal to acquire more than 50 per cent. of Ordinary Shares or of the assets of the Cineworld Group on terms which would be more favourable to Shareholders than the Merger Agreement (a **Cineworld Superior Proposal**), Cineworld may enter into negotiations regarding such Cineworld Superior Proposal. Upon receipt of a Cineworld Superior Proposal, the Board shall be entitled to change its recommendation and/or terminate the Merger Agreement in order to enter into a definitive agreement regarding such Cineworld Superior Proposal only if: (i) the Board determines in good faith (after consultation with its financial and legal advisers) that failure to do so would be inconsistent with its fiduciary duties; (ii) the Cineworld Acquisition Proposal is not the result of a material breach of the relevant non-solicitation provisions contained in the Merger Agreement; and (iii) Cineworld has notified Regal in writing of the existence and terms of the Cineworld Acquisition Proposal and, if Regal so requests, entered into a period of good faith negotiations with Regal with respect to Regal's proposed adjustments to the terms and conditions of the Merger Agreement so that such Cineworld Acquisition Proposal would cease to constitute a Cineworld Superior Proposal.

1.6 ***Termination***

The Merger Agreement may be terminated by mutual written consent of Cineworld and Regal at any time prior to the Effective Time. In addition, the Merger Agreement contains certain reciprocal termination rights for each of the Company and Regal including, among others, the right of either party to terminate in the event that: (i) the Merger is not completed on or before 5 June 2018, subject to certain exceptions set forth in the Merger Agreement; (ii) any governmental entity has issued a non-appealable final order, decree or ruling or taken other non-appealable action prohibiting the consummation of the Acquisition; (iii) the Cineworld Shareholder Approval is not obtained; or (iv) the Regal Stockholder Approval is not obtained.

In addition, Regal may terminate the Merger Agreement in certain other circumstances, including where: (i) the Board withholds, withdraws or adversely modifies its recommendation that Shareholders approve the Acquisition and the Rights Issue; (ii) prior to receipt of Regal Stockholder Approval, Regal receives and accepts a Superior Acquisition Proposal; (iii) a third party tender offer for Cineworld is commenced and the Board recommends, or fails to recommend against, such offer to Shareholders; (iv) any of Cineworld, HoldCo or MergerCo are in material breach of the Merger Agreement; (v) Admission of the New Ordinary Shares has not occurred by the third Business Day following the date on which the Cineworld Shareholder Approval is obtained, or if the Rights Issue has not completed on or before 31 March 2018; (vi) if the Debt Commitment Letters are not in full force and effect as of 31 March 2018 and Cineworld and HoldCo have not arranged replacement financing; (vii) if the Underwriting Agreement is terminated or if any Underwriter invokes a failure of any condition to the underwriting of the Rights Issue under the Underwriting Agreement; or (viii) the conditions under the Merger Agreement have all been satisfied or waived and the Company fails to proceed to Completion within three business days of notice thereof.

Furthermore, Cineworld may terminate the Merger Agreement in certain other circumstances, including where: (i) the Written Consent is not delivered by Anschutz in accordance with the terms of the Merger Agreement and the Anschutz-Cineworld Voting Agreement; (ii) the Regal Board withholds, withdraws or adversely modifies its recommendation that Regal Stockholders approve the Acquisition; (iii) the Regal Board recommends an Alternative Acquisition Proposal to Regal Stockholders; (iv) a third party tender offer for Regal is commenced and the Regal Board recommends, or fails to recommend against, such offer to Regal Stockholders; or (v) Regal is in material breach of the Merger Agreement.

1.7 ***Termination fees***

*Termination fees payable to Regal*

The Company has agreed to pay a termination fee of US$20,150,963 to Regal if the Merger Agreement is terminated in certain circumstances, including where the Board withholds, withdraws or adversely modifies its recommendation that Shareholders approve the Acquisition and the Rights Issue, Shareholders do not approve the Acquisition, the Rights Issue or the Debt Financing do not proceed as planned or in the event of a material breach of the Merger Agreement by the Company.

In addition to any payment of the termination fee by the Company described above, the Major Shareholder has agreed pursuant to the GCH-Regal Undertaking to pay a fee of US$75,000,000 to Regal if the Merger Agreement is terminated in certain circumstances involving both a Cineworld Acquisition Proposal and any of the following: the Board withholds, withdraws or adversely modifies its recommendation that Shareholders approve the Acquisition and the Rights Issue, a material breach of the Merger Agreement by the Company, the failure of Shareholders to approve the Acquisition or if Completion has not occurred by 5 June 2018. The Major Shareholder has also agreed pursuant to the GCH-Regal Undertaking to pay a fee of US$4,849,037 to Regal if the Merger Agreement is terminated in certain other circumstances, including where Shareholders do not approve the Acquisition or either the Rights Issue or the Debt Financing do not proceed as planned. Cineworld has no liability to Regal, the Major Shareholder or any third party in connection with the fees potentially payable by the Major Shareholder.

*Termination fees payable to Cineworld*

Regal has agreed to pay a termination fee of US$95,150,963 to the Company if the Merger Agreement is terminated in certain circumstances, including where the Regal Board withholds, withdraws or adversely modifies its recommendation that Regal Stockholders approve the Acquisition as a result of an Alternative Acquisition Proposal, or the Regal Board terminates the Merger Agreement to enter into an Alternative Acquisition Proposal that the Regal Board determines to be a Superior Acquisition Proposal, provided that the fee payable by Regal to Cineworld under these circumstances will be US$36,270,000 if such Alternative Acquisition Proposal was received on or before the Go-Shop Deadline.

Regal has also agreed to pay a termination fee of US$20,150,963 to the Company if the Merger Agreement is terminated following a material breach of the Merger Agreement by Regal or where Regal Stockholders do not approve the Acquisition. Further, Regal has agreed to pay an additional termination fee of US$75,000,000 to the Company if the Merger Agreement is terminated in certain circumstances involving both an Alternative Acquisition Proposal received after the Go-Shop Deadline and any of the following: a material breach of the Merger Agreement by Regal, Regal Stockholders have not approved the Acquisition or the Effective Time has not occurred by 5 June 2018 (provided that, if such additional fee is paid in connection with the failure of the Effective Time to occur by 5 June 2018, it shall not be accompanied by any other fee).

1.8 ***Shareholder support agreements***

(a) *GCH-Cineworld Undertaking*

GCH Cineworld Undertaking

On 5 December 2017, the Major Shareholder entered into an irrevocable undertaking in favour of Cineworld (the **GCH-Cineworld Undertaking**), committing to: (i) exercise all of the voting rights attaching to its Shares in favour of the Resolutions at the General Meeting (and in favour of any other resolutions at any other general meetings of Cineworld which may be necessary or desirable to effect or promote the success of the Acquisition or the Rights Issue); and (ii) accept the offer to acquire such number of New Ordinary Shares as represents its full entitlement under the terms of the Rights Issue.

Margin Loan Facility

On 4 December 2017, the Major Shareholder as borrower, HSBC and Barclays as lenders (the **Margin Loan Lenders**), HSBC as facility agent and calculation agent and HSBC Corporate Trustee Company (UK) Limited as security agent entered into a margin loan facility agreement (the **Margin Loan Facility Agreement**), under which a margin loan facility (the **Margin Loan Facility**) was made available to the Major Shareholder to be drawn upon and used to take up its rights in the Rights Issue. In connection with the Margin Loan Facility, the Major Shareholder will provide security in favour of the Margin Loan Lenders over up to all of the Ordinary Shares held by it in the Company, which relates to up to 27.97 per cent. of Ordinary Shares.

(b) *GCH-Regal Undertaking*

On 5 December 2017, the Major Shareholder entered into an irrevocable undertaking in favour of Regal (the **GCH-Regal Undertaking**), committing to: (i) exercise all of the voting rights attaching to its Shares in favour of the Resolutions at the General Meeting (and in favour of any other resolutions at any other general meetings of Cineworld which may be necessary or desirable to effect or promote the success of the Acquisition or the Rights Issue); (ii) accept the offer to acquire such number of New Ordinary Shares as represents its full entitlement under the terms of the Rights Issue; and (iii) pay a fee to Regal if the Merger Agreement is terminated in certain circumstances (see paragraph 1.7).

(c) *Anschutz-Cineworld Voting Agreement*

On 5 December 2017, Anschutz entered into a voting and support agreement with Cineworld (the **Anschutz-Cineworld Voting Agreement)**, committing to execute and deliver to Cineworld the Written Consent immediately prior to the General Meeting, such Written Consent to become effective upon the satisfaction of the following conditions: (i) the Go-Shop Deadline having expired; (ii) Cineworld Shareholder Approval having been received; (iii) Cineworld's financing sources having reaffirmed in writing their commitments; and (iv) no change in the Regal Board recommendation having been effected.

# PART IV

# INFORMATION ON CINEWORLD

## 1. Introduction

Cineworld acts as a holding company for a group of companies whose principal activity is the operation of cinemas in the UK, Ireland, CEE countries and Israel for the exhibition of films and related retail activity.

Following the Cinema City Combination, Cineworld is an international cinema exhibition business operating in nine different countries with 232 sites and 2,217 screens as at 31 December 2017. Cineworld operates under the Cineworld and Picturehouse brands in the UK and Ireland, in CEE countries under the Cinema City brand and in Israel under the Yes Planet and Rav-Chen brands. Cineworld is headquartered in London and employs approximately 10,000 people.

## 2. History and Development

Cineworld was established as Cine-UK in 1995, with the first multiplex cinema being opened in Stevenage under the Cineworld brand in 1996. Between 1996 and 2004, Cineworld opened a further 34 multiplex cinemas. In 2004, the Blackstone Group acquired the Cine-UK business, with the management team in place at that time retaining a significant proportion of their interest in the business. Later that year, Cine-UK acquired the UK and Irish operations of UGC, and the UGC and Cine-UK cinema businesses merged under the Cineworld brand.

In 2007, Cineworld listed on the London Stock Exchange. In the same year, Cineworld entered into an agreement with REAL D to introduce 3D projection into its digital portfolio. In 2008, DCM, the joint venture screen advertising business with Odeon, was established, and DCM acquired certain assets from Carlton Screen Advertising. In 2009, Cineworld acquired 74 additional digital projectors from NEC, doubling its digital estate.

In 2010, Cineworld entered into a virtual print fee agreement with Arts Alliance Media. In 2011, Cineworld opened its first IMAX screen in Edinburgh. As at 31 December 2017, it had 35 IMAX screens in total.

In 2012, Cineworld acquired the Picturehouse chain of cinemas and also opened its first licensed coffee outlet in partnership with Starbucks at Cineworld Sheffield. As at 31 December 2017, it had 29 such outlets.

In 2013, Cineworld opened a nine-screen cinema in Wembley and a new 10-screen cinema in Gloucester Quays. In October 2013, it also reopened the IMAX screen at the Glasgow Science Centre as a Cineworld cinema.

In 2014, Cineworld combined with Cinema City, adding 99 multiplexes and 966 fully digital screens in Israel and six CEE countries to its business.

In 2016, Cineworld acquired five Empire sites, including the iconic Empire Leicester Square, and passed the important milestone of over 100 million admissions during the year.

In 2017, Cineworld acquired the 16-screen Empire Newcastle and opened nine new sites, taking the Cineworld Group to 2,217 screens as at 31 December 2017.

The principal events in Cineworld's history are listed below:

| *Year* | *Event* |
|---|---|
| 1996 | Opening of the first multiplex cinema in Stevenage under the Cineworld brand |
| 2004 | Blackstone acquires Cine-UK |
| | Cine-UK and UGC merge under the Cineworld brand |
| 2007 | Cineworld lists on the London Stock Exchange |
| 2008 | DCM screen advertising joint venture established |
| 2009 | Acquisition of digital projectors from NEC |
| 2010 | VPF agreement with Arts Alliance Media |
| 2011 | First IMAX screen opened in Edinburgh |
| 2012 | First Starbucks-licensed coffee outlet opened at Cineworld Sheffield |
| | Acquisition of Picturehouse |
| 2013 | Opening of multiplexes in Wembley and Gloucester Quays and IMAX screen at Glasgow Science Centre |
| 2014 | Acquisition of Cinema City |
| 2016 | Acquisition of five Empire sites, including the Empire Leicester Square and first calendar year with 100 million admissions. |
| 2017 | Acquisition of the Empire Newcastle |

## 3. Strategy

Cineworld's success in enhancing shareholder value since the Cinema City Combination has been based around its strategy of providing an outstanding customer experience through the provision of innovative, cutting-edge design and state of the art cinemas, which aim to be the best in the industry.

Cineworld's strategy has been to invest in the latest innovative technology such as screening equipment, audio systems and different premium formats for showing movies. These premium formats include IMAX (of which Cineworld has the largest number of screens in Europe), 4DX (of which Cineworld is the only provider in the UK and an extensive provider in Europe), 3D, Superscreens and VIP auditoriums. These premium offerings have higher average ticket prices than normal admission prices thereby increasing revenues.

In addition to enhancing its existing estate, Cineworld has continued to expand its estate since the Cinema City Combination through selective new openings and acquisitions, including the acquisition of five Empire cinemas in August 2016. Through consistent cash generation and its existing debt facilities, Cineworld has the financial strength to take advantage of opportunities which present themselves.

Cineworld has successfully expanded its food and drink offering. The availability of a wider selection of items and Cineworld's association with Starbucks, together with a constant emphasis on staff training to provide a friendly and welcoming customer experience, aim to provide Cineworld's customers with the highest quality experience.

Finally, since the Cinema City Combination, the Cineworld management team has placed a major emphasis on reducing costs in areas such as procurement and administrative costs, but never at the expense of the customer experience. These initiatives, together with a focus on driving revenues, increasing earnings and prudent management of Cineworld's cash position have led to attractive financial returns, enabling dividends to be increased each year since the Cinema City Combination.

## 4. Organisational structure

Cineworld is the holding company of the Cineworld Group. A full list of Cineworld's principal subsidiary undertakings, which are considered by Cineworld to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and the profits and losses of Cineworld is set out in Section 5 of Part XIII (*Additional Information*) of this document. Following Completion, Regal will be a wholly-owned indirect subsidiary of Cineworld. Further information on Regal is set out in Part V (*Information on Regal*) of this document.

## 5. Principal activities and principal markets

### *Cinemas*

Cineworld is one of the leading cinema exhibition businesses in Europe. In 2014, Cineworld combined with Cinema City to create the second largest cinema business in Europe (by number of screens).

Cineworld is an international cinema exhibition business operating in nine different countries with 232 sites and 2,217 screens. Cineworld operates in the UK and Ireland under the Cineworld and Picturehouse brands, in six CEE countries under the Cinema City brand and in Israel under the Yes Planet and Rav-Chen brands. Cineworld's cinemas offer up to six different formats in which to watch movies: regular screens, IMAX, 4DX, 3D, Superscreen and VIP auditoriums. Cineworld continues to expand its IMAX and 4DX formats across a selection of its sites and, as at 31 December 2017, operates 35 IMAX screens and 38 4DX screens and 11 Superscreens.

Cineworld shows a broad range of films to a large number of customers with a wide demographic. In FY 2016, Cineworld had over 100 million admissions.

### *Retail*

Food and drink sales are Cineworld's second most important source of revenue after admissions. Cineworld sells food and drinks (soft drinks, coffee and, in certain cinemas, alcohol) at its sites. Cineworld has increased its retail offering to customers, for example by increasing the number of Starbucks coffee outlets in its cinemas in the UK, taking the total number to 29 as at 31 December 2017. In addition to traditional cinema snacks, at Cineworld's Picturehouse circuit, it offers a food and drink proposition more akin to a restaurant experience. Cineworld has also expanded its VIP offering, which includes access to a private lounge ahead of the movie screening with unlimited buffet food, popcorn and soft drinks.

### *Other Income*

In the UK and Ireland, Cineworld's largest single element of other income is screen advertising revenue. Screen advertising revenue is earned through Cineworld's shareholding in Digital Cinema Media Limited (**DCM**), a joint venture screen advertising business formed in 2008 between Cineworld and Odeon UCI, which sells screen advertising time on behalf of the UK cinema industry. It also engages in related promotional work between advertisers and cinemas. Cineworld also receives other income from online booking fees and event hire at its cinemas.

In the ROW (comprised of CEE countries and Israel), other income includes distribution, advertising and other revenues and, in FY 2016, represented 17.6 per cent. (2015: 18.6 per cent.) of total revenues in these countries. Forum Film is Cineworld's film distribution business outside of the UK and Ireland. Forum Film distributes films on behalf of major Hollywood studios as well as owning the distribution rights to certain independent movies. New Age Media is Cineworld's advertising and sponsorship arm for the ROW.

### *Initiatives and Developments*

Cineworld's membership schemes, the most significant being the Cineworld Unlimited programme, provide its customers with a range of benefits, including access to screenings in exchange for subscription fees, and are one of the pillars that underpin Cineworld's strategy for growing revenues and admissions. In the UK, Picturehouse has its own membership scheme which includes a range of benefits such as discounts on tickets and concession items.

At the end of 2016, Cineworld launched new mobile applications to its customers on both Android and iOS platforms. The key features, as well as a new look and feel, were the ability to sign-up for Unlimited membership, and easier navigation to find tickets for performances.

Cineworld's refurbishment programme was a key focus for FY 2016, with nine major refurbishments completed, six in the UK, and three in CEE countries. As the UK estate is generally older than in Cineworld's other operating countries, Cineworld continues to refurbish the estate to ensure all its cinemas are of the highest quality and equipped with the latest technology.

***Cinema City***

On 27 February 2014, Cineworld acquired the entire issued share capital of Cinema City Holding from the Major Shareholder in consideration for £272 million in cash and the Cinema City Consideration Shares, representing an enterprise value on a debt free/cash free basis of £503.4 million. The Cinema City Combination created the second largest cinema business in Europe (by number of screens).

***Empire***

In August 2016, Cineworld acquired five Empire cinemas, including the iconic Empire Leicester Square, for an aggregate consideration of £94.5 million, comprised of 50 per cent. cash and 50 per cent. new Ordinary Shares in Cineworld. The acquisition has enabled the Cineworld Group to increase its London presence, an area of the UK where Cineworld has previously been under-represented.

## 6. Selected financial information

This summary of historical financial information has been extracted without material adjustment from the audited consolidated financial statements of the Cineworld Group for FY 2014, FY 2015 and FY 2016 and the unaudited consolidated financial statements of the Cineworld Group for the 2017 Nine Month Period set out in Part VIII (*Historical Financial Information relating to Cineworld*) of this document:

*Summary Consolidated Statement of Profit or Loss*

| | *53 weeks ended 1 January 2015* | *52 weeks ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (Unaudited)* | *9 months ended 30 September 2017 (Unaudited)* |
|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| Revenue | 619.4 | 705.8 | 797.8 | 564.1 | 633.6 |
| Cost of sales | (438.9) | (517.2) | (584.8) | (420.3) | (477.8) |
| **Gross profit** | 180.5 | 188.6 | 213.0 | 143.8 | 155.8 |
| **Operating profit** | 76.0 | 103.1 | 112.8 | 71.7 | 75.0 |
| **Reconciliation from operating profit to Adjusted EBITDA as defined in footnote 1** | | | | | |
| **Operating profit** | 76.0 | 103.1 | 112.8 | 71.7 | 75.0 |
| Share of loss of associates using equity accounting method, net of tax | (0.1) | – | – | (0.1) | (0.1) |
| **Operating profit plus share of loss of associates using equity accounting method, net of tax** | **75.9** | **103.1** | **112.8** | **71.6** | **74.9** |
| —Depreciation and amortisation | 46.6 | 49.4 | 58.6 | 41.9 | 50.2 |
| —Onerous leases | (1.9) | (1.7) | (1.5) | 1.2 | 0.7 |
| —Impairments and reversals of impairments | (1.0) | 9.0 | (0.4) | 0.8 | 0.6 |
| —Transaction and reorganisation costs | 6.9 | 1.9 | 4.8 | 0.2 | 2.8 |
| —Undistributed share of profits from associates | – | – | – | – | – |
| —(Gains)/Losses on disposals of assets | – | (6.4) | 1.5 | 0.3 | (2.7) |
| **Adjusted EBITDA[(1)]** | **126.5** | **155.3** | **175.8** | **116.0** | **126.5** |
| **Net finance costs** | (8.6) | (3.4) | (14.6) | (14.6) | (6.9) |
| Share of profit/(loss) of associates using equity accounting method, net of tax | (0.1) | – | – | (0.1) | (0.1) |
| **Profit on ordinary activities before tax** | 67.3 | 99.7 | 98.2 | 57.0 | 68.0 |
| Tax charge on profit on ordinary activities | (12.8) | (18.4) | (16.2) | (9.4) | (11.2) |
| **Profit for the period attributable to equity holders of the Company** | 54.5 | 81.3 | 82.0 | 47.6 | 56.8 |
| Basic earnings per share (pence) | 22.1 | 30.7 | 30.8 | | |
| Diluted earnings per share (pence) | 21.9 | 30.4 | 30.4 | | |

(1) Adjusted EBITDA as reported in the Summary Consolidated Statement of Profit and Loss is defined as operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities.

*Summary Consolidated Statement of Financial Position*

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016 (Unaudited)* | *30 September 2017 (Unaudited)* |
|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| **Assets** | | | | | |
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | 297.6 | 345.4 | 445.4 | 437.8 | 500.4 |
| Other non-current assets | 641.2 | 609.0 | 711.7 | 725.9 | 724.6 |
| **Total non-current assets** | 938.8 | 954.4 | 1,157.1 | 1,163.7 | 1,225.0 |
| ***Current assets*** | | | | | |
| Other current assets | 70.5 | 77.0 | 83.8 | 81.8 | 83.8 |
| Cash and cash equivalents | 37.4 | 62.5 | 55.8 | 26.4 | 19.4 |
| **Total current assets** | 107.9 | 139.5 | 139.6 | 108.2 | 103.2 |
| **Total Assets** | 1,046.7 | 1,093.9 | 1,296.7 | 1,271.9 | 1,328.2 |
| **Liabilities** | | | | | |
| ***Current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (24.8) | (15.7) | (16.8) | (18.7) | (13.2) |
| Other current liabilities | (127.9) | (154.9) | (192.6) | (156.5) | (152.2) |
| **Total current liabilities** | (152.7) | (170.6) | (209.4) | (175.2) | (165.4) |
| ***Non-current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (292.4) | (292.0) | (321.3) | (342.0) | (326.4) |
| Other non-current liabilities | (95.3) | (96.6) | (102.6) | (128.1) | (111.6) |
| **Total non-current liabilities** | (387.7) | (388.6) | (423.9) | (470.1) | (438.0) |
| **Total liabilities** | (540.4) | (559.2) | (633.3) | (645.3) | (603.4) |
| **Net assets** | 506.3 | 534.7 | 663.4 | 626.6 | 724.8 |
| **Total equity** | 506.3 | 534.7 | 663.4 | 626.6 | 724.8 |

***Summary Consolidated Statement of Cash Flows***

| | *53 weeks ended 1 January 2015* | *52 weeks ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (Unaudited)* | *9 months ended 30 September 2017 (Unaudited)* |
|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| Net cash flow from operating activities | 86.1 | 165.9 | 150.1 | 53.7 | 92.7 |
| Net cash flow used in investing activities | (325.7) | (80.3) | (130.3) | (100.5) | (73.0) |
| Net cash flow from financing activities | 260.1 | (57.7) | (33.9) | 2.1 | (56.2) |
| **Net (decrease)/increase in cash and cash equivalents** | 20.5 | 27.9 | (14.1) | (44.7) | (36.5) |
| **Cash and cash equivalents at end of period** | 37.4 | 62.5 | 55.8 | 26.4 | 19.4 |

## 7. Current trading and prospects

On 17 January 2018, Cineworld published a trading update for FY 2017, an extract of which is set out below:

*Revenue movements for the year were as follows:*

| | *Actual* | | | *Constant Currency* | | |
|---|---|---|---|---|---|---|
| | *Group* | *UK & Ireland* | *ROW(1)* | *Group* | *UK & Ireland* | *ROW(1)* |
| ***Total revenue*** | *11.6%* | *5.9%* | *20.8%* | *7.9%* | *5.9%* | *10.9%* |
| *Box Office* | *10.3%* | *6.3%* | *17.7%* | *6.9%* | *6.3%* | *8.0%* |
| *Retail* | *15.6%* | *7.1%* | *29.2%* | *11.8%* | *7.1%* | *18.8%* |
| *Other Income* | *10.3%* | *1.1%* | *19.3%* | *5.8%* | *1.1%* | *10.1%* |

**Note:**

(1) *ROW is defined as Rest of the World and includes Poland, Hungary, Israel, Romania, Czech Republic, Bulgaria and Slovakia.*

*Admissions in both the UK & Ireland and the ROW increased compared with the prior year. Growth has been driven by the expansion of our estate, the improved results from the ongoing refurbishment programme and the continued roll-out of our premium formats. The highest grossing films for the year in the UK were "Beauty and the Beast", "Star Wars: The Last Jedi" and "Dunkirk". Locally produced films continued to perform well across the ROW, especially in Poland where "Listy Do Movie 3" and "Botoks" were the top performing films for the year.*

*Retail revenue showed strong growth of 15.6% (11.8% constant currency), particularly in the ROW with growth of 29.2% (18.8% constant currency). Retail revenue is a function of admissions, economic and spending trends in each local market and was positively impacted by the expansion of the Group's retail offerings. The Group opened five Starbucks sites and three VIP sites in 2017 bringing the total to 29 Starbucks sites and 12 VIP sites at 31 December 2017. For the Group, Other Income growth has primarily been driven by the ROW, with growth in both the advertising and distribution income streams.*

*The Group made significant progress with its expansion and refurbishment programme. At the end of 2017 the Group operated 232 sites with 2,217 screens. This includes nine sites (110 screens) opened during 2017, four in the UK and five in the ROW, as well as the Empire Newcastle site (16 screens) acquired in June 2017. The Group proactively managed the existing estate through its refurbishment and selective site closure programme. During the year four refurbishments were completed in the UK, (Hemel Hempstead, Ipswich, Northampton and Solihull) and two in Poland (Arkadia and Mokotow). There are a number of sites currently under refurbishment including at Leicester Square and The O2 in London. Four of the Group's smaller sites were closed during the year, three in the UK and one in Hungary.*

*The Group continued with its strategy to invest in technology and be leaders in the industry, with 11 4DX screens, 2 Superscreens and 2 IMAX screens opened during the year. At the end of 2017 the Group had a total of 38 4DX screens, 35 IMAX screens and 11 Superscreens.*

*There is a strong film slate for 2018 which includes "Jurassic World: Fallen Kingdom", "Fantastic Beasts: The Crimes of Grindelwald", "Avengers: Infinity War", "The Incredibles 2", "Mamma Mia! Here We Go Again" "Solo: A Star Wars Story", "Deadpool 2", "Fifty Shades Freed" and "Mary Poppins Returns".*

*After a successful outcome in 2017 the Group is positioned well for another year of progress in 2018.*

**8. Property, plant and equipment**

Cineworld operates 232 cinemas (as at 31 December 2017), almost all of which are from leasehold premises. In the UK and Ireland, the leasehold properties typically have a lease term of 20 to 50 years with periodic rent reviews. The Cineworld estate is principally formed of multiplex cinemas which range from five to 20 screens.

There are no known major encumbrances and/or environmental issues affecting the estate.

Cineworld's cinema operating equipment includes digital projectors, related IT infrastructure and screens.

**9. Environment and health and safety**

Being a multi-site business, Cineworld is conscious of its total energy consumption and amount of waste materials generated and is actively working on reducing both. In 2017, Picturehouse changed its bottled water supplier to Life Water. Life Water donates a significant amount of its proceeds to charity and the plastic bottles used by it are, the Board believes, amongst the most environmentally-friendly in the market. Cineworld's cinema website and mobile applications enable e-tickets to be purchased and used, avoiding the need to print tickets. In new and refurbished cinemas, poster cases are now digital reducing the need to deliver, install and ultimately throw away large paper posters. All these efforts help to reduce Cineworld's use of resources and carbon footprint.

The day-to-day health, safety and welfare of its customers, employees and contractors is of major concern to the Company. With over 100 million admissions per year and approximately 10,000 employees, the Cineworld Group seeks to maintain the highest standards in the effective management of its health and safety obligations, and its duty of care to its customers and staff. Cineworld has in place a range of governance-related policies, including a health and safety policy, which are regularly reviewed and communicated to employees.

# PART V

# INFORMATION ON REGAL

## 1. Introduction

Regal was incorporated in the state of Delaware in 2002 after The Anschutz Corporation acquired majority stakes in three cinema chains (Regal Cinemas, Inc., United Artists Theaters, Inc. and Edwards Theatres, Inc.). Regal's operations cover 43 US states, Guam, Saipan, American Samoa and the District of Columbia, making it the second-largest cinema operator in North America (by number of screens). The corporate office of Regal is located in Knoxville, Tennessee. Regal conducts its operations through its wholly owned subsidiaries.

## 2. History and Development

Regal was founded in 2002 after The Anschutz Corporation acquired controlling stakes in three cinema chains (Regal Cinemas, Inc., United Artists Theaters, Inc. and Edwards Theatres, Inc.). In May 2002, Regal completed an initial public offering of shares of its Class A common stock on the New York Stock Exchange.

In 2003 and 2004, Regal acquired cinemas in the North-eastern United States from Hoyts Cinema Corporation for approximately US$213.1 million, and in California and Hawaii from Signature Theatres, LLC for approximately US$196.7 million. In 2005, Regal purchased cinemas in the South-eastern United States from Eastern Federal Corporation for approximately US$125.2 million.

In 2005, Regal combined its respective cinema screen advertising businesses with that of AMC, to form a new joint venture, National CineMedia. In 2007, it formed a joint venture, DCIP, with Cinemark Media, Inc. and American Multi-Cinema, Inc. to create a financing model and establish agreements with motion picture studios for the implementation of digital cinema.

In 2008, Regal acquired Consolidated Theatres for approximately US$209.3 million. In 2010, Regal launched the Regal Premium Experience (RPX$^{SM}$), a proprietary large screen format.

In 2012 Regal acquired Great Escape Theatres for approximately US$90 million, enhancing its presence across 11 US states. In 2013, Regal acquired Hollywood Theaters for approximately US$194.4 million, increasing its territorial coverage in 16 US states and three US territories. In 2013, Regal formed a further joint venture, AC JV, LLC with AMC, Cinemark and National CineMedia, to which National CineMedia sold its "Fathom Events" business. The Fathom Events business markets and distributes live and pre-recorded entertainment programming to various cinema operators (including Regal, AMC and Cinemark).

In 2015, Regal acquired five cinemas with 61 screens from entities affiliated with Georgia Theatre Company for US$9.2 million. In the same year, Regal completed the digitalisation of all its cinema screens.

More recently, Regal has acquired a number of smaller regional chains, including Santikos Theatres, Inc. in Texas in April 2017 for US$29.8 million and Warren Theatres in Kansas and Oklahoma in May 2017 for US$134.5 million.

The principal events in Regal's history are listed below:

| *Year* | *Event* |
|---|---|
| 2002 | Regal IPO on the New York Stock Exchange |
| 2004 | Acquisition of cinemas from Signature Theatres, LLC and Hoyts Cinema Corporation |
| 2005 | Establishment of joint venture company National CineMedia |
| | Acquisition of cinemas from Eastern Federal Corporation |
| 2007 | Establishment of joint venture, DCIP |
| | Commencement of digitalisation of cinemas |
| 2008 | Acquisition of Consolidated Theatres |
| 2010 | Launch of the Regal Premium Experience (RPX$^{SM}$) |
| 2010-2015 | Digital revolution – conversion and installation of all screens to digital projection |

| | |
|---|---|
| 2012-2013 | Acquisition of Hollywood Theaters and Great Escape Theatres |
| 2015 | Acquisition of cinemas from Georgia Theatre Company |
| 2017 | Acquisition of cinemas from Santikos Theatres and Warren Theatres |

**3. Organisational structure**

Regal is the holding company of the Regal Group. A full list of Regal's principal subsidiary undertakings, which are considered to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and profits and losses of the Enlarged Group, is set out in Section 5 of Part XIII (*Additional Information*) of this document.

**4. Principal investments**

Regal maintains an investment in National CineMedia, which operates the largest digital in-theatre advertising network in North America representing over 20,500 screens (of which approximately 20,100 are part of NCM's digital content network) as at 31 December 2016. Regal receives theatre access fees and mandatory distributions of excess cash from National CineMedia. Pursuant to a common unit adjustment agreement which Regal is party to, from time to time, common units of National CineMedia held by Regal will be adjusted up or down through a formula primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each joint venture partner. As at 30 September 2017, Regal held approximately 27.6 million common units of National CineMedia. As at 30 September 2017, Regal owned a 17.9 per cent. interest in NCM.

Regal also maintains an investment in DCIP. Regal holds a 46.7% economic interest in DCIP and a one-third voting interest along with each of AMC and Cinemark as at 30 September 2017. DCIP funds the cost of digital protection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including Regal. In addition to its US digital deployment, DCIP actively manages the deployment of over 1,800 digital systems in Canada for Canadian Digital Cinema Partnership, a joint venture between Cineplex Inc. and Empire Theatres Limited.

With the exception of the foregoing, Regal does not have any principal investments other than its principal subsidiary undertakings. A full list of Regal's principal subsidiary undertakings, which are considered to be likely to have to have a significant effect on the assessment of the assets and liabilities, financial position and profits and losses of the Enlarged Group, is set out in Section 5 of Part XIII (*Additional Information*) of this document.

**5. Selected financial information**

This summary of historical financial information includes a selection of information for FY 2014, FY 2015, FY 2016, the 2016 Nine Month Period and the 2017 Nine Month Period and has, unless otherwise stated, been extracted without material adjustment from the consolidated financial information set out in Part IX (*Historical Financial Information relating to Regal*) of this document, which should be read alongside the summary.

*Summary Consolidated Statement of Profit or Loss*

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (Unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| | *US$m* | *US$m* | *US$m* | *US$m* | *US$m* |
| Revenue | 2,986.3 | 3,123.4 | 3,193.3 | 2,381.5 | 2,298.9 |
| Cost of sales | (2,275.4) | (2,349.4) | (2,393.5) | (1,789.2) | (1,738.8) |
| Gross profit | 710.9 | 774.0 | 799.8 | 592.3 | 560.1 |
| Operating profit | 302.4 | 334.2 | 364.8 | 272.1 | 210.8 |
| **Reconciliation from operating profit to Adjusted EBITDA as defined in footnote 1** | | | | | |
| **Operating profit** | 302.4 | 334.2 | 364.8 | 272.1 | 210.8 |
| Share of profits of associates using equity accounting method, net of tax | 60.3 | 69.3 | 67.7 | 47.2 | 47.8 |
| **Operating profit plus share of profits of associates using equity accounting method, net of tax** | **362.7** | **403.5** | **432.5** | **319.3** | **258.6** |
| —Depreciation and amortisation | 198.3 | 204.4 | 216.4 | 160.4 | 175.8 |
| —Onerous leases | 13.6 | (2.5) | (17.0) | (10.8) | (12.8) |
| —Impairments and reversals of impairments | 7.1 | 10.2 | 13.9 | – | 25.9 |
| —Transaction and reorganisation costs | – | 5.8 | 2.9 | 1.5 | 1.3 |
| —Undistributed share of profits from associates | (17.8) | (25.7) | (21.0) | (22.1) | (19.3) |
| —(Gains)/Losses on disposals of assets | (0.3) | 4.1 | (5.7) | 3.2 | (17.7) |
| **Adjusted EBITDA[(1)]** | **563.6** | **599.8** | **622.0** | **451.5** | **411.8** |
| Net finance costs | (189.7) | (130.7) | (129.1) | (97.5) | (94.3) |
| Share of profit/(loss) of associates using equity accounting method, net of tax | 60.3 | 69.3 | 67.7 | 47.2 | 47.8 |
| **Profit on ordinary activities before tax** | 173.0 | 272.8 | 303.4 | 221.8 | 164.3 |
| Tax charge on profit on ordinary activities | (70.7) | (107.8) | (121.7) | (92.3) | (66.3) |
| **Profit for the period attributable to equity holders of Regal** | 102.7 | 165.2 | 181.6 | 129.4 | 98.0 |
| Basic earnings per share (cents) | 65.7 | 105.9 | 116.4 | 83.1 | 63.1 |
| Diluted earnings per share (cents) | 65.4 | 105.4 | 115.8 | 82.7 | 62.7 |

**Notes:**

(1) Adjusted EBITDA as reported in the Summary Consolidated Statement of Profit and Loss is defined as operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities.

*Summary Consolidated Statement of Financial Position*

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016 (Unaudited)* | *30 September 2017* |
|---|---|---|---|---|---|
| | *US$m* | *US$m* | *US$m* | *US$m* | *US$m* |
| **Assets** | | | | | |
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | 1,404.3 | 1,364.7 | 1,364.0 | 1,362.7 | 1,473.9 |
| Other non-current assets | 689.8 | 734.8 | 745.4 | 749.9 | 792.3 |
| **Total non-current assets** | 2,094.2 | 2,099.5 | 2,109.4 | 2,112.6 | 2,266.2 |
| ***Current assets*** | | | | | |
| Other current assets | 178.2 | 201.2 | 203.9 | 99.6 | 133.0 |
| Cash and cash equivalents | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |
| **Total current assets** | 325.2 | 420.8 | 450.4 | 286.5 | 322.5 |
| **Total Assets** | 2,419.3 | 2,520.3 | 2,559.8 | 2,399.1 | 2,588.7 |
| **Liabilities** | | | | | |
| ***Current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (25.2) | (26.0) | (24.2) | (23.8) | (25.3) |
| Other current liabilities | (477.2) | (554.7) | (521.3) | (383.7) | (395.6) |
| **Total current liabilities** | (502.4) | (580.7) | (545.5) | (407.5) | (420.9) |
| ***Non-current liabilities*** | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (2,300.2) | (2,282.0) | (2,286.7) | (2,289.7) | (2,424.2) |
| Other non-current liabilities | (673.7) | (683.1) | (703.1) | (698.3) | (720.8) |
| **Total non-current liabilities** | (2,973.9) | (2,965.1) | (2,989.8) | (2,988.0) | (3,145.0) |
| **Total liabilities** | (3,476.3) | (3,545.8) | (3,535.3) | (3,395.5) | (3,565.9) |
| **Net liabilities** | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.2) |
| **Total deficit** | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.2) |

***Summary Consolidated Statement of Cash Flows***

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (Unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| | *US$m* | *US$m* | *US$m* | *US$m* | *US$m* |
| Net cash flow from operating activities | 440.6 | 509.8 | 487.7 | 323.5 | 324.5 |
| Net cash flow used in investing activities | (104.7) | (137.7) | (176.8) | (133.1) | (308.6) |
| Net cash flow from financing activities | (469.8) | (299.5) | (281.0) | (223.1) | (72.9) |
| **Net (decrease)/increase in cash and cash equivalents** | (133.9) | 72.6 | 26.9 | (32.7) | (57.0) |
| **Cash and cash equivalents** | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |

## 6. Current trading and prospects

On 17 January 2018, Regal published a trading update for FY 2017, an extract of which is set out below:

*For the year ended 31 December 2017, box office revenue and concession revenue declined 2.6% and 0.3% versus the prior year period.*

| | *% Change vs. Prior Period* |
|---|---|
| *Box Office revenue* | *(2.6%)* |
| *Concessions revenue* | *(0.3%)* |
| *Attendance* | *(6.7%)* |

*Nearly 197 million people attended Regal theaters in 2017, representing a decline of 6.7% versus 2016. As expected at the time of our third quarter earnings announcement, the business has enjoyed a strong holiday season. Although 2017 featured a record box office in the first quarter and, according to Box Office MoJo, the second highest fourth quarter from an industry box office perspective, overall the film slate in 2017 was weaker than the prior year. The top five performing movies of the year were "Star Wars: The Last Jedi", "Beauty and the Beast", "Wonder Woman", "Guardians of the Galaxy: Volume 2" and "Spider-Man: Homecoming", which generated total domestic box office revenue of approximately $2.2 billion.*

*For 2017, the decline in attendance was partially offset by an increase in average ticket prices and an increase in average concessions revenues per patron, which were primarily attributable to selective price increases and the continued rollout of our expanded food and alcohol menu.*

## 7. Principal activities and principal markets

### (A) *Principal activities*

*Overview*

Regal generates revenues primarily from admissions and retail sales. Additional revenues are generated by Regal's vendor marketing programmes, gift card and bulk ticket programmes, various other activities in Regal's cinemas and through its relationship with National CineMedia, which focuses on in-cinema advertising.

*Cinema operations*

Cinema operations represent Regal's core business, specifically the operation of multiplexes, typically containing 10 to 18 screens, each with auditoriums ranging from 100 to 500 seats. Box office revenue represented 64.6 per cent. of total revenues for FY 2016 and 63.9 per cent. of total revenues for the 2017 Nine Month Period.

Regal's modern, multi-screen cinemas are designed to increase profitability by optimising revenues per square foot while reducing operational costs on a per admission basis. Regal varies auditorium seating capacities within the same cinema, allowing it to shift films to smaller auditoriums to meet changing attendance levels. Multi-screen cinemas also enable Regal to offer a wide selection of films and convenient show times.

Many of Regal's cinemas feature immersive sound, wall-to-wall and floor-to-ceiling screens, Sony Digital Cinema™ 4K projection systems, 3D digital projection systems and IMAX©. Regal has also developed its own proprietary large screen format, RPX℠, and offers customers digital stereo surround-sound and enhanced interiors featuring video game and party room areas adjacent to the cinema lobby.

Regal is in the process of implementing various initiatives, concepts and customer amenities such as luxury reclining seating, a wider array of food and beverage offerings, in-cinema dining and bar service, and reserved seating.

Further, Regal implements various customer engagement initiatives aimed at delivering a premium movie-going experience for its customers and to build brand loyalty. During the first quarter of 2016, Regal completed the national rollout of its frequent moviegoer loyalty programme, the Regal Crown Club. Members of the programme can earn credits which can be redeemed for movie tickets, concession items and movie memorabilia at the cinema or in an online reward centre where members can select rewards.

Regal offers various forms of ticketing methods, including print-at-home technology, self-serve kiosks, e-gift cards and mobile and internet ticketing. Regal sells tickets remotely via its mobile application and through internet ticketing partners such as Fandango.com and Atom Tickets, LLC. Customers can choose their preferred ticketing option, which in many cases means they can pre-purchase tickets, scan their mobile device and proceed directly to their reserved seat without queuing.

In addition to pre-purchasing tickets, Regal's mobile application allows customers to find films, movie information, show times, track Regal Crown Club credits and receive special offers from Regal.

*Retail*

Retail sales are Regal's second largest source of revenue after admissions, representing 29.2 per cent. of total revenues for FY 2016 and 29.7 per cent. of total revenue in the 2017 Nine Month Period.

Regal emphasises prominent and appealing concession stations designed for rapid and efficient service. Regal seeks to increase concession sales by actively managing concession queuing times, offering a range of concessions, introducing promotions from time to time and offering employee training and incentive programmes to up-sell and cross-sell products.

Regal has expanded its menu of food and alcohol to an increasing number of customers.

Regal has implemented quality assurance programs in all of its cinemas to maintain clean, comfortable and modern facilities and monitor food service. To maintain quality and consistency across its cinema circuit, district and regional managers and various contractual service partners regularly inspect each cinema and provide recurring feedback. In addition, Regal requests feedback from its customers through an online guest experience program whereby the customer rates and provides detailed comments regarding their experiences at Regal's cinemas. Finally, Regal also conducts a “mystery shopper” programme, which involves unannounced visits by unidentified customers who report on the quality of service, film presentation and cleanliness at individual cinemas.

*Other revenues*

Other revenues represent Regal’s third largest source of revenue behind admissions and retail revenues, representing 6.2 per cent. of Regal’s revenues in FY 2016 and 6.3 per cent. for the 2017 Nine Month Period. Included in other revenues are revenues from Regal’s vendor marketing programmes, other cinema revenues (consisting primarily of internet ticketing surcharges, cinema rentals and arcade games), cinema access fees paid by National CineMedia and revenues related to gift card and bulk ticket programmes.

To market its cinemas, Regal utilises internet, mobile and social media, print and multimedia advertising to inform customers of film selections and show times. In many markets, Regal employs interactive marketing programmes for specific films and concession items.

(B) ***Principal Markets***

Regal operates 7,321 screens in 560 cinemas across 43 US states, Guam, Saipan, American Samoa and the District of Columbia, making it one of the largest and most geographically diverse cinema operators in the United States as at 31 December 2017. Its closest competitors are AMC and Cinemark, which operate 8,139 screens and 4,562 screens respectively as at 30 September 2017.

As at 30 September 2017, Regal operates cinemas in 48 of the top 50 US Designated Market Areas, including dense population hubs and affluent areas such as California, Florida and New York. Regal operates its cinema estate using its Regal Cinemas, United Artists, Edwards, Great Escape Theatres and Hollywood Theaters brands through its wholly owned subsidiaries. It does not franchise any of its cinemas.

As at 30 September 2017, Regal had an average of 13.0 screens per location (compared with the 2016 US average of 6.9 screens per location).

Regal operates, develops and acquires multi-screen cinemas primarily in mid-sized cities and suburban areas of larger cities throughout the United States.

As at 31 December 2016, Regal’s position, by number of screens, in each state along with Guam, Saipan, American Samoa and the District of Columbia, was as follows:

| *State/District* | *Locations* | *Number of screens* |
|---|---|---|
| California | 88 | 1,063 |
| Florida | 48 | 709 |
| New York | 45 | 555 |
| Virginia | 30 | 429 |
| Washington | 29 | 347 |
| Texas | 26 | 374 |
| Pennsylvania | 23 | 311 |
| North Carolina | 22 | 265 |
| Georgia | 21 | 307 |
| Ohio | 19 | 274 |
| Oregon | 19 | 206 |
| South Carolina | 17 | 230 |
| Maryland | 14 | 196 |
| Colorado | 14 | 174 |
| Tennessee | 13 | 179 |
| Nevada | 11 | 141 |
| Indiana | 11 | 139 |

| *State/District* | *Locations* | *Number of screens* |
|---|---|---|
| New Jersey | 10 | 142 |
| Massachusetts | 10 | 118 |
| Illinois | 9 | 129 |
| Missouri | 8 | 114 |
| Hawaii | 7 | 72 |
| Mississippi | 6 | 46 |
| Idaho | 5 | 73 |
| Kentucky | 5 | 60 |
| New Mexico | 5 | 60 |
| Alaska | 5 | 52 |
| West Virginia | 4 | 46 |
| Connecticut | 4 | 43 |
| Louisiana | 4 | 43 |
| Alabama | 3 | 52 |
| Kansas | 3 | 34 |
| Oklahoma | 3 | 34 |
| New Hampshire | 3 | 33 |
| Minnesota | 2 | 36 |
| Delaware | 2 | 33 |
| Michigan | 2 | 26 |
| Arkansas | 2 | 24 |
| Maine | 2 | 20 |
| Nebraska | 1 | 16 |
| Arizona | 1 | 14 |
| District of Columbia | 1 | 14 |
| Guam | 1 | 14 |
| Montana | 1 | 11 |
| Saipan | 1 | 7 |
| American Samoa | 1 | 2 |
| **Total** | 561 | 7,267 |

## 8. Employees

As at 31 December 2016, Regal employed approximately 25,359 persons.

## 9. Property, plant and equipment

The majority of Regal's operations are conducted in premises occupied under non-cancellable lease agreements with initial base terms generally ranging from 15 to 20 years or more and, in most cases, renewal options for up to an additional 10 to 20 years. These leases provide for minimum annual rentals and the renewal options generally provide for rent increases. Some leases require, under specified conditions, further rental payments based on a percentage of revenues above specified amounts.

There are currently no environmental issues which will materially affect Regal's use of the assets described above.

# PART VI

# OPERATING AND FINANCIAL REVIEW OF CINEWORLD

*The following review of Cineworld's financial condition and operating results should be read in conjunction with the historical financial information on Cineworld and the notes related thereto set out in Part VIII (Historical Financial Information relating to Cineworld) incorporated by reference in this document in accordance with Part XIV (Documents incorporated by reference) of this document and the other financial information included elsewhere in this document. Except as otherwise stated, the information in this Part VI has been extracted without material adjustment from Cineworld's annual report and audited accounts for FY 2014, FY 2015 and FY 2016 and the unaudited interim results for the six month period ended 30 June 2017 which have been incorporated by reference into this document. The historical financial information has been prepared in accordance with IFRS.*

*Some of the information in the review below and elsewhere in this document includes forward-looking statements based on current expectations that involve risks and uncertainties. See "Forward-Looking Statements" on pages 43-44 of this document for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this document.*

**1. Documents incorporated by reference**

The operating and financial reviews included in the following documents are incorporated by reference into this document:

- the Cineworld Group's 2014 Annual Report and Accounts;
- the Cineworld Group's 2015 Annual Report and Accounts;
- the Cineworld Group's 2016 Annual Report and Accounts; and
- the Cineworld Group's 2017 Interim Report.

**2. Cross-reference list**

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

2.1 ***Cineworld Group's 2014 Annual Report and Accounts***

The page numbers below refer to the relevant pages of Cineworld Group's 2014 Annual Report and Accounts:

- Highlights 2014 – page 1;
- Chairman's Statement – page 4;
- Market Overview – pages 10 to 11;
- Strategy including Key Performance Indicators – pages 14 to 15;
- Resources and Relationships – pages 16 to 17;
- Chief Executive Officer's Review – pages 18 to 25;
- Risks and Uncertainties – pages 26 to 29; and
- Directors' Report (extract) – pages 67 to 68.

2.2 ***Cineworld Group's 2015 Annual Report and Accounts***

The page numbers below refer to the relevant pages of Cineworld Group's 2015 Annual Report and Accounts:

- Highlights 2015 – page 1;
- Chairman's Statement – pages 6 to 7;
- Chief Executive Officer's Statement – pages 8 to 9;
- Market Overview – pages 10 to 11;
- Strategy including Key Performance Indicators – pages 14 to 15;
- Resources and Relationships – pages 20 to 21;
- Principal Risks and Uncertainties – pages 22 to 28;
- Financial Review – pages 29 to 32; and
- Directors' Report (extract) – pages 78 to 79.

2.3 ***Cineworld Group's 2016 Annual Report and Accounts***

The page numbers below refer to the relevant pages of Cineworld Group's 2016 Annual Report and Accounts:

- Highlights 2016 – page 1;
- Chairman's Statement – pages 4 to 5;
- Chief Executive Officer's Statement – pages 6 to 7;
- Market Overview – pages 8 to 9;
- Strategy including Key Performance Indicators – pages 12 to 17;
- Resources and Relationships – pages 18 to 21;
- Principal Risks and Uncertainties – pages 22 to 27;
- Financial Review – pages 28 to 32; and
- Directors' Report (extract) – pages 76 to 77.

2.4 ***Cineworld Group's 2017 Interim Report***

The page numbers below refer to the relevant pages of the Cineworld's 2017 Interim Report:

- Chief Executive Officer's Review – pages 1 to 7; and
- Risk and Uncertainties – page 22.

The financial information referred to in this paragraph has not been audited.

## 3. Result of operations for the 2017 Nine Month Period compared with the 2016 Nine Month Period

### 3.1 *Performance overview*

| | *9 months ended 30 September 2016* | *9 months ended 30 September 2017* |
|---|---|---|
| Admissions (millions) | 72.3 | 76.0 |
| | *£m* | *£m* |
| Box office | 359.1 | 403.0 |
| Retail | 136.0 | 156.7 |
| Other Income | 69.0 | 73.9 |
| Total revenue | 564.1 | 633.6 |

Cineworld's interim results for the 2017 Nine Month Period reflect the trading and financial position of the Cineworld Group. Cineworld acquired five Empire cinemas on 11 August 2016 and these cinemas were consolidated into the Cineworld financials from that date.

Total revenue in the 2017 Nine Month Period was £633.6 million, an increase of 12.3 per cent. on the 2016 Nine Month Period (2016: £564.1 million). Box office revenue increased 12.2 per cent. to £403.0 million (2016: £359.1 million). Average ticket price per admission increased by 6.9 per cent. to £5.30 (2016: £4.96). Total retail revenues of £156.7 million were ahead of the previous year (2016: £136.0 million). Other income increased by 7.1 per cent. to £73.9 million (2016: £69.0 million).

### 3.2 *UK and Ireland*

The results for the UK and Ireland for the 2017 Nine Month Period include the two cinema chain brands in the UK, Cineworld, which includes the five Empire cinemas acquired on 11 August 2016, and Picturehouse.

(A) *Box office*

Box office revenue represented 66.5 per cent. (2016: 66.2 per cent.) of total revenues in the 2017 Nine Month Period for the UK and Ireland. Admissions in the 2017 Nine Month Period increased by 3.7 per cent. and combined with an increase in the average ticket price of 3.7 per cent. this, together with the addition of the five Empire cinemas acquired in August 2016, resulted in an increase in box office revenue of 7.1 per cent. in the 2017 Nine Month Period as compared to the 2016 Nine Month Period. Admissions in the UK and Ireland for the cinema industry as a whole were up 1.44 per cent. during the same period (*Source: UK Cinema Association*).

The average ticket price achieved in the UK and Ireland during the 2017 Nine Month Period increased by 3.7 per cent. to £6.44 (2016: £6.21). This increase reflected inflationary price increases and the increased availability and popularity of premium offerings such as 4DX and IMAX.

Box office revenues are spread across a number of films with overall box office performance being underpinned by a solid film slate in the 2017 Nine Month Period, including by the success of "*The Beauty and the Beast*", "*Dunkirk*" *and* "*Despicable Me 3*" (all of which together grossed nationally in excess of £150 million). This compares to the top three films during the 2016 Nine Month Period ("*The Jungle Book*", "*Bridget Jones's Baby*" and "*Finding Dory*") which grossed nationally £130 million). Performance during the 2017 Nine Month Period was supported by a number of other film performances, including "*Guardians of the Galaxy Vol. 2*" and "*The Fate of the Furious*" (which together grossed nationally over £60 million).

(B) *Retail*

Retail, which is comprised principally of food and drink sales to Cineworld's customers, was the second most important source of revenue over the 2017 Nine Month Period, representing 24.2 per cent of total revenues for the UK and Ireland (2016: 23.9 per cent.). Total retail revenues for the UK and Ireland were £91.9 million (2016: £85.2 million) increasing by 7.8 per cent.

Net retail spend per admission increased by 4.5 per cent. in the period to £2.34 (2016: £2.25). Retail revenue is a function of admissions, economic and spending trends in each local market and was positively impacted by the expansion of the Group's retail offerings including Starbucks and the VIP experience. As at 30 September 2017, Cineworld had 26 Starbucks sites, an additional six compared to the prior year, and 10 VIP auditoriums.

(C) *Other income*

Other income includes all other revenue streams outside of box office and retail and represented 9.3 per cent. of total revenues in the 2017 Nine Month Period (2016: 9.8 per cent.). The largest single element of other income is screen advertising revenue. Screen advertising revenue is earned through Cineworld's shareholding in DCM, its joint venture screen advertising business.

The main driver for the increase in other income increasing during the 2017 Nine Month Period was the strong performance of the advertising business when compared with the 2016 Nine Month Period. In February 2017, the Cineworld Group disposed of a small element of its distribution arm in Picturehouse. This distribution income is recorded in other income and therefore has reduced the overall growth from the 2017 Nine Month Period.

Also included within other income is the online booking fee. The trend towards booking online continues which is supported by Cineworld's investment in online and mobile booking facilities.

3.3 ***Rest of the World***

The results for Cineworld's non-UK and Ireland operations (**ROW**) include the Cinema City brand in the CEE countries and the Yes Planet and Rav-Chen brands in Israel.

(A) *Box office*

Box office revenues represented 59.2 per cent. of total revenues (2016: 59.2 per cent.) for ROW during the 2017 Nine Month Period. Admissions and box office revenue in the ROW increased by 6.7 per cent. and 21.9 per cent. respectively compared to the 2016 Nine Month Period. Israel, Poland, Romania, Hungary and Slovakia experienced double digit growth in admissions. These levels of growth have been achieved through the opening of new sites in FY 2016, investment in the latest technologies, a strong film slate and improvements in the local economies.

The average ticket price increased by 14.2 per cent. to £4.09 on a constant currency basis in the 2017 Nine Month Period (2016: £3.58). The increase has been achieved by Cineworld expanding its premium offering, the film slate and inflationary increases alongside growth of the local economies. Locally produced films continue to contribute strongly to box office revenues; in particular with the releases in Poland of "*The Art of Loving: Story of Michalina Wislocka*" and "*Botoks*" during the 2017 Nine Month Period.

(B) *Retail*

As in the UK and Ireland, food and drink sales are the second most important source of revenue for Cineworld in the ROW in the 2017 Nine Month Period. Total revenues from retail were £64.8 million (2016: £50.8 million) during the 2017 Nine Month Period. Retail spend per person increased to £1.77 during the period, representing an increase of 19.6 per cent. on a constant currency basis (2016: £1.48). This growth was driven by a combination of retail initiatives, inflationary price increases and the nature of the film slate.

(C) *Other income*

In the ROW other income includes distribution, advertising and other revenues and represented 15.3 per cent. of total revenues during the 2017 Nine Month Period (2016: 16.3 per cent.). Forum Film is the Cineworld Group's distribution business for the ROW and distributes films on behalf of major Hollywood studios as well as owning the distribution rights to certain independent films. Key films distributed in the period included "*Beauty and the Beast*", "*Guardians of the Galaxy Vol.2*" and "*Pirates of the Caribbean: Salazar's Revenge*". New Age Media is the Group's advertising and sponsorship arm for the ROW. Advertising revenues have remained broadly flat in the 2017 Nine Month Period compared to 2016 Nine Month Period. The advertising revenues have not increased at the same rate as admissions due to the nature and timing of the contracts.

### 3.4 *Cinema expansion*

The assessment of new site opportunities, along with further acquisitions, is a key part of Cineworld's future growth strategy.

During the 2017 Nine Month Period Cineworld acquired the Empire Newcastle in June. The 16 screen cinema is situated in a prime central location in a city in which Cineworld was not previously represented. A full refurbishment programme is planned for the Newcastle site.

In addition, Cineworld opened five new sites with a combined 52 screens during the 2017 Nine Month Period. Three sites were opened in the United Kingdom (Ely (six screens), South Ruislip (11 screens) and Bracknell (12 screens)), one in Israel, Zichron (12 screens) and one in Poland, Bialianka (11 screens).

### 3.5 *Initiatives and developments*

Cineworld's membership schemes, the most significant being the Cineworld Unlimited programme, continue to provide its customers with a range of benefits, including access to screenings in exchange for subscription fees, and are one of the pillars that underpin Cineworld's strategy for growing revenues and admissions. In the UK, Picturehouse has its own membership scheme which includes a range of benefits such as discounts on tickets and concession items.

Cineworld has continued to manage its existing estate proactively through the refurbishment and selective closure of certain sites. In the UK, refurbishments commenced at the O2 in London, Ipswich, Northampton and Solihull. The refurbishment of Hemel Hempstead, which now includes a Starbucks, was completed during the period. There have also been two refurbishments in Poland (Arkadia and Mokotow). The Stockport site (10 screens) was closed in the UK.

Investment in technology also continued during the 2017 Nine Month Period, with the opening of 4 new 4DX screens and 2 Superscreens bringing the total to 32 4DX screens, 33 IMAX screens and 11 Superscreens as at 30 September 2017.

### 3.6 *Factors affecting Cineworld's results of operations*

***Technology and data control.*** The Cineworld Group continues to grow its reliance on information technology systems and data and is reliant on its IT systems remaining operational and secure. Therefore, any critical system interruption for a sustained period could have a significant impact on the Cineworld Group's performance. In addition, any breach (cyber or otherwise) of data protection rules or security measures surrounding the storage of confidential and proprietary information (including film content) could result in unauthorised access, loss or disclosure of this information. This could lead to claims, regulatory penalties, disruption of operations of the Cineworld Group and ultimately reputational damage.

***Availability and performance of film content.*** The overall success of the Cineworld Group is underpinned by the quality of the film slate, the timeliness of release and the appeal of such films to its customers. Where the film studios do not produce sufficiently attractive films, or films underperform, this has a direct impact on cinema attendance and, therefore, the principal box office revenue for the Cineworld Group may decline. Admissions, in turn, drive the two other main revenue streams for Cineworld, the concessionary sales to Cineworld's box office customers, comprising principally food and drink for consumption within its cinemas, and revenue from advertisements shown on Cineworld's cinema screens prior to feature presentations.

***Theatrical release window.*** Film distributors, while licensing a film to the film exhibition industry, have traditionally refrained from making the same film available through other film delivery methods for a certain period of time (referred to as the "release window"). Alternative delivery methods, such as network, rental, cable and satellite television, in-home television (2D and 3D), DVDs and Blu-Ray, video-on-demand, pay-per-view services and internet streaming are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates. Any reduction in, or elimination of, the release window could reduce the appeal of viewing films in cinemas, which may materially adversely affect Cineworld's business, financial condition and results of operations.

***Expansion and growth of the cinema estate.*** Growth in Cineworld's estate is dependent on the development of new sites or the acquisition of existing cinemas. Planning laws, the economic environment, availability of capital for developers and location choice are some of the factors that may impact the Cineworld Group's development and growth plans. Cineworld devotes considerable time to assessing new site opportunities and this, along with further acquisitions, is a key part of its future growth strategy.

***Viewer experience and competition.*** Although cinema admissions are predominantly driven by the quality and availability of films, ensuring that Cineworld continually enhances the viewer experience is crucial to its success. Any decrease in the quality of the services that Cineworld offers could result in loss of customers to competitors or other leisure or entertainment attractions. Furthermore, the development of existing and new technology (such as 3D television and internet streaming) has also introduced competitive forces as they offer alternative ways to view films. To improve the quality of services Cineworld offers to customers, it has increased the efficiency of online bookings and invested in technical innovation and premium offerings (4DX and other large screen formats), upgrading seating options (including further roll-out of the VIP offering) and improving retail offers. Cineworld has also enhanced subscription and membership programmes to offer added value through offers and information.

***Revenue from retail/concession offerings.*** Retail and concession sales generally fluctuate in line with admissions and the type of film on show. Therefore, if admissions were to fall, revenue from retail sales could decrease. Retail spend may also decrease due to changes in customer preferences (including as a result of public concerns over diet and health issues), decreased disposable income or other economic and cultural factors. In addition, the price of items such as energy and foodstuffs has a direct impact on costs. The ability of Cineworld to understand and react quickly to the changing customer need is a key part of maintaining and increasing revenue.

***Macro political and economic conditions.*** Cineworld depends on consumers spending discretionary funds on leisure activities. The prevailing global economic climate and consumer confidence can all influence customer spending decisions adversely. While admissions to Cineworld cinemas have not historically been materially adversely affected by a downturn in the global economic climate, the foregoing events or factors may adversely impact admissions levels and the business, results of operations and financial condition of Cineworld. In particular, Cineworld has substantial operations in the United Kingdom and as a result will be exposed to macro political and economic conditions in the United Kingdom. These conditions may be affected by a variety of economic factors, including Brexit.

***Regulatory breach.*** Cineworld's business and operations are affected by regulations covering matters such as planning, the environment, health and safety (cinemas and construction sites), licensing, food and drinking retailing (including alcohol in some locations), data protection and the minimum wages. Failure to ensure ongoing compliance with regulation and legislation could results in fines or a suspension of activity.

***Terrorism and civil unrest.*** Cinema businesses may be affected by civil unrest or terrorist acts and threats which could cause the public to avoid public cinemas. This could be the case as a result of incidents in locations in which Cineworld operates. Cineworld may 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 or types of film. This could adversely impact the financial performance of Cineworld.

***Foreign exchange exposure.*** Cineworld is subject to risk associated with fluctuations in currency exchange rates, since a large portion of its revenue, assets and liabilities are denominated in currencies other than Pound Sterling, including the euro, Israeli shekel, Polish zloty, Hungarian forint, Bulgarian lev, Romanian leu and Czech koruna. Cineworld presents its consolidated financial statements in Pounds Sterling, which is its presentation currency. Changes in exchange rates will affect the value of the reporting earnings and the value of those assets and liabilities denominated in foreign currencies. Such changes may also impact on operating expenses where such operating expenses are in a currency other than that in which financing is obtained or those in which revenue is generated.

3.7 ***Cineworld's costs of sales***

Cineworld's cost of sales comprises film hire costs, concession supplies costs, wages, salaries and benefits, lease expenses, energy and property costs and distribution costs.

3.8 ***Financial Performance***

| | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017 (unaudited)* |
|---|---|---|
| Admissions | 72.3 | 76.0 |
| | *£m* | *£m* |
| Box office | 359.1 | 403.0 |
| Retail | 136.0 | 156.7 |
| Other | 69.0 | 73.9 |
| Total revenue | 564.1 | 633.6 |
| Adjusted EBITDA | 116.1 | 126.6 |
| Operating profit | 71.7 | 75.0 |
| Financial income | 1.0 | 1.2 |
| Financial expenses | (15.6) | (8.1) |
| Net financing costs | (14.6) | (6.9) |
| Share of loss from joint venture | (0.1) | (0.1) |
| Profit on ordinary activities before tax | 57.0 | 68.0 |
| Tax on profit on ordinary activities | (9.4) | (11.2) |
| Profit for the period attributable to equity holders of the Company | 47.6 | 56.8 |

(A) *Adjusted EBITDA*

Cineworld Group Adjusted EBITDA increased by 9.0 per cent. for the 2017 Nine Month Period to £126.6 million (2016: £116.1 million). The Cineworld Group Adjusted EBITDA margin of 20.0 per cent. in line with the 2016 Nine Month Period.

(B) *Operating Profit*

Operating profit increased by 4.6 per cent. per cent. for the 2017 Nine Month Period to £75.0 million (2016: £71.7 million).

(C) *Net Finance Costs*

Net financing costs totalled £6.9 million during the 2017 Nine Month Period (2016: £14.6 million). Financing income of £1.2 million (2016: £1.0 million) mainly related to interest income foreign exchange gains on monetary assets. Financing expense of £8.1 million (2016: £15.6 million) related mainly to interest on bank loans and overdrafts. In the prior year there was a £9.0 million negative impact on foreign exchange, primarily relating to the translation of the Euro Term loan at the balance sheet date. In the second half of 2016 the Cineworld Group entered into a net investment hedge in respect of the Euro Term loan and the gains and losses are now recognised directly in other comprehensive income, in line with current accounting practice and standards.

(D) *Taxation*

The overall tax charge during the period was £11.2 million giving an overall effective tax rate of 16.5 per cent. for the 2017 Nine Month Period (2016: 16.5 per cent.) which reflects a blend of statutory rates across each territory and recognition of previously unrecognised losses during the 2017 Nine Month Period.

(E) *Earnings*

Overall profit on ordinary activities before tax in the 2017 Nine Month Period was £68.0 million, an increase of £11.0 million from the 2016 Nine Month Period (2016: £57.0 million). The increase was primarily due to increased admission across the Cineworld Group generating additional Adjusted EBITDA of £10.5 million. The depreciation and amortisation charge has increased by £8.3 million year on year predominantly as a result of new sites in the Cineworld Group. The one off items in the period generated a charge of £1.4 million compared to a charge of £2.5 million in 2016 Nine Month Period and there are no losses on the Euro Term loan in the period compared to the loss of £9.0 million in the 2016 Nine Month Period.

(F) *Business combinations*

On 15 June 2017, the Cineworld Group completed the acquisition of the Newcastle Empire cinema from Cinema Holdings Limited by means of a cash acquisition. Cash consideration was paid on completion and there is an element of contingent consideration to be paid based on the performance of the site over a 24 month period following completion of the refurbishment.

(G) *Disposals*

On 7 February 2017, the Cineworld Group sold its shareholding in its wholly owned subsidiary Picturehouse Entertainment Limited, an entity which operated an element of the Cineworld Group's distribution arm in the United Kingdom. The consideration received was £2.0 million, resulting in a gain on disposal of £1.8 million.

(H) *Cash flow and balance sheet*

The Cineworld Group continued to be cash generative at the operating level. Total cash generated from operations during the 2017 Nine Month Period was £101.6 million (2016: £59.1 million). Net cash flows used in investing activities during the 2017 Nine Month Period was £73.0 million (2016: £100.5 million).

Overall, net assets increased by £98.2 million during the 2017 Nine Month Period to £724.8 million (2016: £626.6 million). This includes the property, plant and equipment additions and increases to goodwill as a result of the Empire Newcastle acquisition in the 2017 Nine Month Period and movements in foreign exchange rates since 30 September 2016.

## 4. Capitalisation and Indebtedness

| | *As at 30 September 2017* *(unaudited)* *£m* |
|---|---|
| Share capital | 2.7 |
| Share premium | 343.5 |
| Other reserves | 378.6 |
| **Total** | 724.8 |

There has been no material change to the capitalisation figures since 30 September 2017 prior to the Rights Issue.

The following table sets out the unaudited consolidated indebtedness of Cineworld as at 30 November 2017.

| | *As at 30 November 2017* *(unaudited)* *£m* |
|---|---|
| **Current financial debt** | 17.0 |
| Guaranteed and/or secured | 13.5 |
| Unguaranteed and unsecured (including financial leases) | 3.5 |
| **Non-current financial debt (excluding current portion of long-term debt)** | 321.7 |
| Guaranteed and/or Secured | 306.8 |
| Unguaranteed and unsecured (including financial leases) | 14.9 |
| **Net financial indebtedness as at 30 September 2017** | |
| A. Cash | 32.6 |
| B. Cash equivalents | – |
| C. Financial assets at fair value through income | – |
| **D. Liquidity (A+B+C)** | 32.6 |
| **E. Current portion of financial receivables** | |
| F. Current bank debt | 2.2 |
| G. Current portion of non-current debt | 13.5 |
| H. Current other financial debt | 1.3 |
| **I. Current financial debt (F+G+H)** | 17.0 |
| **J. Net current financial debt (I-E-D)** | (15.6) |
| K. Non-current bank debt | 306.8 |
| L. Bonds issued | – |
| M. Non-current other financial debt | 14.9 |
| **N. Non-current financial debt (K+L-M)** | 321.7 |
| **O. Net financial debt excluding impact of debt derivatives qualifying as hedges (J+N)** | 306.1 |
| P. Debt derivatives qualifying as hedges and other derivatives | (0.1) |
| **Q. Net financial debt including impact of debt derivatives qualifying as hedges (O+P)** | 306.0 |

## 5. Liquidity and capital resources

The Cineworld Group's principal sources of liquidity to finance its operations are through cash generated from operating cash flows and by bank facilities. Ongoing financing requirements and the Cineworld Group's cash resources are monitored through regular reporting to Executive Directors and monthly reporting to the Board. Capital investment and all revenue expenditure is regulated by a budgetary approval process and authorisation levels, with post-investment and period end reviews as required. A comprehensive budgeting system allows managers to submit detailed budgets which are reviewed and amended by the Executive Directors prior to submission to the Cineworld Board for approval.

### 5.1 *Cash flows*

For the 2017 Nine Month Period, Cineworld generated net cash flows from operations of £92.7 million (2016:£53.7 million). This increase was primarily due to a reduction in trade and other payables during the 2017 Nine Month Period to £23.0 million (2016: £48.8 million). Cineworld ended the 2017 Nine Month Period with cash and cash equivalents of £19.4 million (2016: £26.4 million). Net cash flows used in investing activities decreased from £100.5 million during the 2016 Nine Month Period to £73.0 million, reflecting the acquisition of the five Empire cinemas during the 2016 Nine Month Period.

In FY 2016, the Cineworld Group continued to be cash generative at the operating level. Total net cash generated from operations in the year was £150.1 million (2015: £165.9 million). As at 31 December 2016, the Cineworld Group had £55.8 million (2016: £62.5 million) of cash and cash equivalents.

Net cash spent on investing activities during FY 2016 was £130.3 million (2015: £80.3 million), £47.0 million for the acquisition of the five Empire cinemas, £83.7 million on the development of new sites, refurbishments and technology and £0.7 million related to interest received.

In FY 2016, net cash used in financing activities decreased by £23.8 million to £33.9 million (2015: £57.7 million). This was primarily due to the repayment of certain bank loans in FY 2015, offset partially by an increase in the amount of dividends in the amount paid to shareholders to £47.0 million (2015: £39.0 million).

### 5.2 *Debt financing*

In addition to the operating cash flows described above, the Cineworld Group meets its day to day working capital requirements through its bank facilities which consist of a five year facility, comprised of term loans of £157.7 million and €63.0 million and a single currency revolving credit facility of £215.0 million (the **Existing Debt Facilities**). The Existing Debt Facilities are due to expire in June 2022. A margin, determined by the results of the covenant tests at a given date is added to LIBOR and EURIBOR. The margin currently applicable to the Cineworld Group are 1.40 per cent. on the term loans and 1.15 per cent. of the revolving credit facility.

As at the date of this document, £111.25 million and €48 million remained outstanding under the term loans and £175 million under the single currency revolving credit facility.

The Existing Debt Facilities are unsecured and subject to two covenants: (i) the ratio of EBITDA (as defined therein) to net debt; and (ii) the ratio of EBITDAR (as defined therein) to net finance charges. The Cineworld Group operated within its banking covenants within FY 2015, FY 2016 and the 2017 Nine Month Period.

It is expected that the Existing Debt Facilities will be refinanced at or around Completion by the Cineworld Group drawing down on the Debt Facilities. Summary details of the Debt Facilities are set out in section 6.1(d) of Part XIII (*Additional Information*).

### 5.3 *Hedging*

As discussed in note 21 to the Cineworld Group's 2016 Annual Report and Accounts, the Cineworld Group hedges its exposure to interest rate movement. As at 31 December 2016, the Group had seven (2015: six) interest rate swaps, four GBP denominated swaps which hedged 82 per cent.

(2015: 59 per cent.) of the Cineworld Group's variable rate GBP unsecured term loan and three Euro denominated swaps hedging 100 per cent. (2015: 100 per cent.) of the Euro denominated unsecured loan. A foreign currency exposure arises from the Cineworld Group's net investment in its Dutch subsidiary, which has a Euro functional currency. The risk arises from fluctuations in exchange rates between the Pound and the Euro, which cause the value of the net investment to vary. The Cineworld Group hedges part of its exposure to changes in the value of the investment arising from variances in the Euro to Pound exchange rate.

Operating across nine territories increases the Cineworld Group's exposure to currency risk. Wherever possible, overseas operations fund their day-to-day working capital requirements in local currency with cash generated from operations, naturally hedging the currency risk exposure to the Cineworld Group. Cineworld monitors the level of currency risk exposure and considers hedging where appropriate. Currently, Cineworld considers the currency risk on consolidation of the assets and liabilities of its foreign entities to be of low materiality and no hedging has been undertaken.

## 6. Changes in accounting policies

The Cineworld Group's consolidated financial statements are prepared in accordance with IFRS. The accounting policies for Cineworld are described at pages 87 to 95 of the Cineworld Group's 2016 Annual Report and Accounts, which has been incorporated by reference into this document. These accounting policies applied during the 2016 Nine Month Period and the 2017 Nine Month Period covered by this operating and financial review.

# PART VII

# OPERATING AND FINANCIAL REVIEW OF REGAL

## 1. Description of Regal

Regal operates one of the largest and most geographically diverse cinema estates in the United States, consisting of 7,321 screens in 560 cinemas in 43 states along with Guam, Saipan, American Samoa and the District of Columbia as at 31 December 2017. Regal operates, develops and acquires multi-screen cinemas primarily in mid-sized cities and suburban areas of larger cities throughout the US.

Regal operates multi-screen cinemas. These multi-screen cinema complexes typically contain 10 to 18 screens, each with auditoriums ranging from 100 to 500 seats.

Regal generates revenues primarily from admissions and retail sales. Additional revenues are generated by its vendor marketing programs, gift card and bulk ticket programs, various other activities in its cinemas and through its relationship with National CineMedia, which focuses on in-cinema advertising. Its operating costs include film rental costs, concession costs, cinema labour and occupancy costs.

For further information about Regal, see Part V (*Information on Regal*) of this document.

## 2. Performance overview

### 2.1 *Admissions and average ticket price*

Average ticket price is calculated as box office revenue divided by the number of admissions.

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| Box office revenue (in US$ millions) | 1,998.9 | 2,038.1 | 2,061.7 | 1,546.8 | 1,469.8 |
| Admissions (in millions of persons) | 220.2 | 216.7 | 210.9 | 159.1 | 145.5 |
| Average ticket price (in US$) | 9.08 | 9.41 | 9.78 | 9.72 | 10.10 |

During FY 2016, total box office revenues increased US$23.6 million, or 1.2 per cent., to US$2,061.7 million from US$2,038.1 million in FY 2015. A 3.9 per cent. increase in average ticket prices, offset by a 2.7 per cent. decrease in admissions, led to the overall increase in the box office revenues. The average ticket price increase was due to selective price increases identified during Regal's ongoing periodic pricing reviews (particularly at locations featuring its new luxury reclining seats). The decrease in admissions during FY 2016 was primarily attributable to the strong admissions generated by the commercial appeal of the top tier films exhibited during FY 2015 including *Star Wars: The Force Awakens and Jurassic World.*

Admissions for the 2017 Nine Month Period decreased by 8.5 per cent. against the 2016 Nine Month Period. This was partially offset by a 3.9 per cent. increase in average ticket prices to US$10.10. Box office revenue for the 2017 Nine Month Period consequently decreased by 5.0 per cent. against the 2016 Nine Month Period. The decrease was due to weaker than expected overall film slate during the 2017 Nine Month Period.

2.2 ***Number of cinemas and screens***

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| Cinema locations | 574 | 572 | 561 | 565 | 561 |
| Screens | 7,367 | 7,361 | 7,267 | 7,310 | 7,315 |
| Average screens per location | 12.8 | 12.9 | 13.0 | 12.9 | 13.0 |

In FY 2016, Regal managed its asset base by opening two cinemas with 19 screens, reopening five screens at an existing cinema and closing 13 cinemas and 118 screens, ending the year with 561 cinemas and 7,267 screens (11 fewer cinemas, and 94 fewer screens than 31 December 2015). The average number of persons employed by the Regal Group during FY 2016 was 25,637.

During the 2017 Nine Month Period, Regal acquired two cinemas with 41 screens located in Houston, Texas from Santikos Theatres, Inc. in April and seven cinemas with 93 screens located in Kansas and Oklahoma from Warren Theatres in May. In addition, Regal opened two new cinemas with 26 screens and closed 11 cinemas with 112 screens (including the temporary closure of three cinemas with 42 screens impacted by a hurricane), ending the 2017 Nine Month Period with 561 cinemas and 7,315 screens. The average number of persons employed by the Regal Group during the 2017 Nine Month Period was 24,566.

2.3 ***Retail revenue***

Retail revenue per head is calculated as retail revenue divided by the number of admissions.

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| Retail revenue (in US$ millions) | 829.5 | 901.7 | 932.6 | 705.5 | 683.6 |
| Average retail revenue per head (in US$) | 3.77 | 4.16 | 4.42 | 4.44 | 4.70 |

Total retail revenues increased US$30.9 million, or 3.4 per cent., to US$932.6 million during 2016, from US$901.7 million in FY 2015. A 6.3 per cent. increase in average retail revenues per head, partially offset by a 2.7 per cent. decrease in admissions, led to the overall increase in FY 2016 retail revenues. The increase in average retail revenues per head for FY 2016 was primarily attributable to an increase in beverage, popcorn, and candy sales, selective price increases and an expanded food menu in 216 locations and alcohol menu in 143 locations.

Total retail revenue decreased US$21.9 million, or 3.1 per cent., from US$705.5 million in the 2016 Nine Month Period to US$683.6 million in the 2017 Nine Month Period. However, average retail revenues per head during the 2017 Nine Month Period increased 5.9 per cent., to US$4.70, from US$4.44 in the 2016 Nine Month Period. This was primarily attributable to selective price increases, an increase in popcorn sales volume, and the continued rollout of Regal's expanded food and alcohol menu.

2.4 ***Other revenues***

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| Other revenue (in US$ millions) | 157.9 | 183.6 | 199.0 | 129.2 | 145.5 |

Other revenues increased US$15.4 million, or 8.4 per cent., to US$199.0 million during FY 2016, from US$183.6 million in FY 2015. Other revenues include revenues from Regal's vendor marketing programmes, other cinema revenues (consisting primarily of internet ticketing surcharges, cinema rentals and arcade games), cinema access fees paid by National CineMedia (net of payments for onscreen advertising time provided to Regal's beverage concessionaire) and revenues related to Regal's gift card and bulk ticket programmes. During FY 2016, the increase in other revenues was primarily due to an increase in revenues related to the gift card and bulk ticket programmes and an increase in revenues related to internet ticketing surcharges.

During the 2017 Nine Month Period, other revenues increased US$16.3 million, or 12.6 per cent. to US$145.5 million from US$129.2 million in the 2016 Nine Month Period. The increase in other revenues during the 2017 Nine Month Period was due to an increase in internet ticketing surcharges, an increase in revenues from Regal's vendor marketing programmes, increased revenues related to Regal's gift card and bulk ticket programmes, and incremental National CineMedia revenues.

2.5 ***Employees***

The average number of persons employed by the Regal Group during FY 2016 was 25,637. This represents a small increase from FY 2015, when the average number of persons employed by the Regal Group was 24,542 (2014: 23,168).

**3. Key trends and factors potentially affecting the future of Regal's operations and financial condition**

The domestic motion picture exhibition industry is a mature business that has historically maintained steady long-term growth in revenues and stable attendance. Regal's results of operations and financial condition have been, and are expected to continue to be materially affected by the following factors. For further discussion of other certain factors that may adversely affect the Regal Group's operations and financial condition, see the section of this Prospectus headed "Risk Factors".

***Availability and timing of films.*** Regal's ability to operate successfully depends upon the availability, diversity and commercial appeal of motion pictures, its ability to license films and the performance of such films in its markets. Regal licenses first-run motion pictures, the success of which can depend on the marketing efforts of the major motion picture studios. Poor performance of, or any disruption in the production of, these films (including by reason of a strike or lack of adequate financing), or a reduction in the marketing efforts of the major motion picture studios, could hurt Regal's business and results of operations. In addition, a change in the type and breadth of movies offered by motion picture studios may adversely affect the demographic base of its patrons. The timing of film releases can also have a significant effect on Regal's results of operations, and the results of one fiscal quarter are not necessarily indicative of results for the next fiscal quarter or any other fiscal quarter. Motion picture studios typically release the most marketable motion pictures during the summer and the holiday season. The unexpected emergence of a hit film during other periods can alter the traditional trend. The seasonality of motion picture exhibition, however, has become less pronounced as motion picture studios are releasing motion pictures somewhat more evenly throughout the year.

***Regulation and antitrust***. The distribution of films in the US is regulated by federal and state antitrust laws and has been the subject of numerous antitrust cases. Consent decrees resulting from those cases effectively require major motion picture distributors to offer and license films to exhibitors, including Regal, on a film-by-film and cinema-by-cinema basis. Consequently, Regal cannot ensure a supply of motion pictures by entering into long-term arrangements with major distributors, but must compete for licenses on a film-by-film and cinema-by-cinema basis. In addition, the film distribution business is highly concentrated, with the top ten film distributors accounting for approximately 95 per cent. of Regal's box office revenues during 2016. Its business consequently depends on maintaining good relations with these distributors, and its ability to negotiate commercially favourable licensing terms for first-run films. A deterioration in its relationship with any of the major film distributors could affect Regal's ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films and, therefore, could damage its business and results of operations.

***Demand for watching film at the cinema.*** Regal competes with other motion picture distribution channels including digital sell-through, DVD and Blu-ray, physical and digital rental, subscription video on demand and free and pay television. When motion picture distributors license their products to the domestic exhibition industry, they refrain from licensing their motion pictures to these other distribution channels during the theatrical release window. The average theatrical release window has decreased from approximately six months to approximately three to four months over the last decade. Further, some film distributors have experimented with offering alternative distribution methods for certain films that rely on shorter theatrical release windows and in some cases, bypass the theatrical release altogether. A material contraction of the current theatrical release window could significantly dilute the consumer appeal of the in-cinema motion picture offering, which could have a material adverse effect on its business and results of operations.

***Competition***. Regal operates in a fragmented and highly competitive market with no significant barriers to entry. Cinemas operated by national and regional circuits across the US and by small independent exhibitors compete with its cinemas, particularly with respect to film licensing, attracting patrons and developing new cinema sites. Moviegoers are generally not brand conscious and usually choose a cinema based on its location, the films showing there and its amenities. Regal continues to implement various initiatives, concepts, customer amenities and technological innovations aimed at delivering a premium movie-going experience for its patrons (including, but not limited to, luxury reclining seating, enhancement of food and alcoholic beverage offerings, the installation of premium format screens, digital 3D, satellite distribution technologies and stadium seating). However, new innovations and technology will continue to impact the industry. If Regal is unable to respond to or invest in future technology and the changing preferences of customers, it may not be able to compete with other exhibitors or other entertainment venues. Should other cinema operators embark on aggressive capital spending strategies, Regal's attendance, revenue and income from operations per screen could also decline substantially.

***Cash flows***. In order to finance its lease and debt obligations, Regal must generate substantial operating cash flow. This will depend on future performance, which will be subject to prevailing economic conditions and to financial, business and other factors beyond its control.

***Macro-economic, political and social conditions***. Regal depends on consumers voluntarily spending discretionary funds on leisure activities. It also competes for the public's leisure time and disposable income with other forms of entertainment, including sporting events, theme parks, concerts, live cinema and restaurants. Motion picture cinema attendance may be affected by negative trends in the general economy that adversely affect consumer spending. A prolonged reduction in consumer confidence or disposable income in general may affect the demand for motion pictures or severely impact the motion picture production industry, which, in turn, could adversely affect Regal's operations. If economic conditions are weak or deteriorate, or if financial markets experience significant disruption, it could materially adversely affect Regal results of operations, financial position and/or liquidity. For example, deteriorating conditions in the global credit markets could negatively impact Regal's business partners which may impact film production, the development of new cinemas or the enhancement of existing cinemas. Cinema attendance may also be affected by political events, such as terrorist attacks on, or wars or threatened wars involving, the US, health related epidemics and random acts of violence, any one of which could cause people to avoid its cinemas or other public places where large crowds are in attendance. In addition, due to Regal's concentration in certain markets, natural disasters such as hurricanes, earthquakes and severe storms in those markets could adversely affect Regal's overall results of operations.

***Regulatory environment***. Regal is subject to various US federal, state and local laws, regulations and administrative practices affecting its business, and it must comply with provisions regulating health and sanitation standards, equal employment, environmental standards and licensing for the sale of food and, in some cinemas, alcoholic beverages. Changes in existing laws or implementation of new laws, regulations and practices could have a significant impact on its business. A significant portion of Regal's cinema level employees are paid at or slightly above the applicable minimum wage in the cinema's jurisdiction. Increases in the minimum wage and implementation of reforms requiring the provision of additional benefits will increase its labour costs. Regal's cinemas must comply with Title III of the ADA to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requires that public accommodations "reasonably accommodate" individuals with disabilities and that new construction or alterations made to "commercial facilities" conform to accessibility guidelines unless "structurally impracticable" for new construction or "technically infeasible" for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, award of damages to private litigants and additional capital expenditures to remedy such non-compliance.

***Investigation by the Antitrust Division of the United States Department of Justice and Attorney General***. Regal is currently the subject of an investigation by the United States Department of Justice regarding potentially anticompetitive conduct and coordination among National CineMedia, AMC and Regal and/or Cinemark. Additionally, it is the subject of investigations by various state attorneys general relating to its investments in various joint ventures, including National CineMedia, as well as movie "clearances" whereby film distributors do not license the rights to exhibitors to play the same first-run feature length films at the same time in the same theatrical release zones. Regal intends to vigorously defend such allegations. However the period of time necessary to fully respond to and resolve these investigations is uncertain and could require significant management time and financial resources which could otherwise be devoted to the operation of its business.

## 4. Financial review of consolidated results of operations

### 4.1 *Review of operating performance and financial review of consolidated results of operations — 2017 Nine Month Period against 2016 Nine Month Period*

*Overview*

Total revenues for the 2017 Nine Month Period were US$2,298.9 million compared to total revenues of US$2,381.5 million for the 2016 Nine Month Period. While admissions numbers fell in a challenging box office environment, there was growth in average ticket price and concession sales per head.

*Revenue*

Total box office revenue decreased by US$77.0 million, or 5.0 per cent., from US$1,546.8 million in the 2016 Nine Month Period to US$1,469.8 million in the 2017 Nine Month Period. Although total admissions fell 8.5 per cent. from 159.1 million to 145.5 million, the average ticket price increased by 3.9 per cent. to US$10.10 from US$9.72 in the corresponding period. The decrease in admissions was due to weaker than expected overall film slate during the 2017 Nine Month Period, particularly during the month of August 2017, which had only nine wide releases compared to 12 wide releases during August 2016. The average ticket price increase was due to selective price increases during Regal's pricing reviews.

Retail revenue decreased US$21.9 million, or by 3.1 per cent., from US$705.5 million in the 2016 Nine Month Period to US$683.6 million in the 2017 Nine Month Period. However, average retail revenues per head during the 2017 Nine Month Period increased 5.9 per cent., to US$4.70, from US$4.44 in the 2016 Nine Month Period. This was primarily attributable to selective price increases, an increase in popcorn sales volume, and the continued rollout of Regal's expanded food and alcohol menu.

Other revenues (including revenues from vendor marketing programmes, internet ticketing surcharges, cinema rentals, arcade games, cinema access fees paid and Regal's gift card and bulk ticket programmes) increased by 12.6 per cent. from US$129.2 million in the 2016 Nine Month Period to US$145.5 million in the 2017 Nine Month Period. The increase in other revenues during the 2017 Nine Month Period was due to an increase in internet ticketing surcharges, an increase in revenues from Regal's vendor marketing programmes, increased revenues related to Regal's gift card and bulk ticket programs, and incremental National CineMedia revenues.

*Costs*

Total cost of sales decreased by 2.8 per cent. from US$1,789.2 million in the 2016 Nine Month Period to US$1,738.8 million in the 2017 Nine Month Period.

Administrative expenses increased by US$28.9 million, or 9.0 per cent., to US$350.2 million in the 2017 Nine Month Period, from US$321.3 million in the 2016 Nine Month Period. This was primarily attributable to higher acquisition related expenses (US$1.7 million) and higher aggregate payroll costs (US$7.6 million).

Depreciation and amortisation expenses increased by US$15.4 million, or 9.6 per cent., from US$160.4 million in the 2016 Nine Month Period to US$175.8 million in the 2017 Nine Month Period. The increase was primarily related to incremental depreciation and amortisation expense associated with increased capital expenditures related to the installation of luxury reclining seats, the opening of two new cinemas with 28 screens, the acquisition of nine cinemas with 134 screens, and accelerated depreciation on certain identified assets, partially offset by permanent closure of 12 cinemas with 115 screens.

*Adjusted EBITDA*

As a result of the factors described above, Adjusted EBITDA decreased by 8.8 per cent. from US$451.5 million in the 2016 Nine Month Period to US$411.8 million in the 2017 Nine Month Period.

*Operating Profit*

Total operating profit decreased by 22.5 per cent. from US$272.1 million in the 2016 Nine Month Period to US$210.8 million in the 2017 Nine Month Period.

*Capital Expenditures*

In April 2017, Regal completed the acquisition of two cinemas with 41 screens located in Houston, Texas from Santikos Theatres, Inc. for an aggregate net cash purchase price of US$29.8 million. In addition, in April 2017, it purchased a parcel of land located in Montgomery County, Texas from an entity affiliated with Santikos Theatres, Inc. for a net cash purchase price, before post-closing adjustments, of US$7.3 million.

In May 2017, Regal completed the acquisition of seven cinemas with 93 screens located in Kansas and Oklahoma from Warren Theatres for an aggregate net cash purchase price, before post-closing adjustments, of US$134.5 million. It incurred approximately US$1.7 million in transaction costs in connection with acquisitions made in 2017.

The acquisitions contributed US$34.2 million of total revenues for the 2017 Nine Month Period.

In addition, Regal opened two new cinemas with 26 screens.

*Net Debt*

Net debt increased by 9.4 per cent. from US$2,064.4 million as at 1 January 2017 to US$2,259.1 million in the 2017 Nine Month Period.

4.2 ***Review of operating performance and financial review of consolidated results of operations — FY 2016 against FY 2015***

*Overview*

In FY 2016, Regal's total revenues increased by 2.2 per cent. with particular growth in retail and other revenues. The average ticket price was US$9.78 in FY 2016 (which was 3.9 per cent. higher than in FY 2015), which offset lower admissions figures (which decreased by 2.7 per cent. to 210.9 million in FY 2016).

*Revenue*

Regal's total revenue increased by 2.2 per cent. from US$3,123.4 million in FY 2015 to US$3,193.3 million in FY 2016.

Box office revenue grew modestly by 1.2 per cent. from US$2,038.1 million in FY 2015 to US$2,061.7 million in FY 2016. This increase was caused by a rise in average ticket prices, although total admissions fell from 216.7 million in FY 2015 to 210.9 million in FY 2016.

Retail revenue increased by 3.4 per cent. from US$901.7 million in FY 2015 to US$932.6 million in FY 2016. This was primarily attributable to an increase in beverage, popcorn, and candy sales, selective price increases and the continued rollout of Regal's expanded food and alcohol menu.

Other revenues (including revenues from vendor marketing programmes, internet ticketing surcharges, cinema rentals, arcade games, cinema access fees paid and Regal's gift card and bulk ticket programmes) increased by 8.4 per cent. from US$183.6 million in FY 2015 to US$199.0 million in FY 2016. The increase in other revenues was primarily due to an increase in revenues related to Regal's gift card and bulk ticket and an increase in revenues related to internet ticketing surcharges.

*Costs*

Total cost of sales increased 1.9 per cent. from US$2,349.4 million in FY 2015 to US$2,393.5 million in FY 2016.

Administrative expenses decreased by US$4.8 million, or 1.1 per cent., to US$436.5 million in FY 2016, from US$441.3 million in FY 2015.

Depreciation and amortisation expenses rose by 5.9 per cent. from US$204.4 million in FY 2015 to US$216.4 million in FY 2016. The depreciation and amortisation increase in expenses was primarily related to the impact of increased capital expenditures associated with the installation of luxury reclining seats after FY 2015, and to a lesser extent, the opening of two new cinemas with 19 screens (partially offset by the closure of 13 cinemas with 118 screens).

*Adjusted EBITDA*

In line with the revenue and costs described above, Adjusted EBITDA increased by 3.7 per cent. from US$599.8 million in FY 2015 to US$622.0 million in FY 2016.

*Operating Profit*

Total operating profit increased by 9.2 per cent. from US$334.2 million in FY 2015 to US$364.8 million in FY 2016.

*Capital Expenditures*

There was increased capital expenditure during FY 2016 associated with the installation of luxury reclining seats and the opening of two new cinemas with 19 screens.

*Net Debt*

Net debt obligations decreased modestly from US$2,088.4 million as at 31 December 2015 to US$2,064.4 million as at 31 December 2016.

4.3 ***Review of operating performance and financial review of consolidated results of operations — FY 2015 against full year ended FY 2014***

*Overview*

In FY 2015, Regal's total revenues increased by 4.6 per cent. with particular growth in retail and other revenues. The average ticket price was US$9.41 (which was 3.6 per cent. higher than in FY 2014). This offset lower admissions figures (which decreased by 1.6 per cent.). Regal changed its fiscal calendar during this period: FY 2014 included seven additional days of operations in comparison to that of the FY 2015, which impacted the comparison of the two periods.

*Revenue*

Regal's total revenues increased by 4.6 per cent. from US$2,986.3 million in FY 2014 to US$3,123.4 million in FY 2015.

During FY 2015, total box office revenues increased US$39.2 million, or 2.0 per cent., to US$2,038.1 million, from US$1,998.9 million in FY 2014. A 3.6 per cent. increase in average ticket prices (approximately US$71.3 million of total box office revenues), partially offset by a 1.6 per cent. decrease in admissions (approximately US$32.0 million of total box office revenues) led to the overall increase in FY 2015 box office revenues. For FY 2015, the 3.6 per cent. average ticket price increase was due to selective price increases identified during Regal's ongoing periodic pricing reviews and an increase in the percentage of its box office revenues generated by premium format films exhibited during FY 2015. The decrease in admissions during FY 2015 as compared to FY 2014 was primarily related to the timing of Regal's fiscal calendar. FY 2014 included seven additional days of operations in comparison to that of the FY 2015. The seven additional days of operations were significant in that they accounted for approximately 9.1 million attendees, or 4.1 per cent., of the FY 2014 total admissions and contributed approximately US$80.1 million, or 4.0 per cent., of FY 2014 total box office revenues. Notwithstanding the timing of the fiscal calendar, Regal's box office results for FY 2015 were positively impacted by strong admissions from the breadth and commercial success of the overall film slate during FY 2015 including *Star Wars: The Force Awakens* and *Jurassic World.*

Total retail revenues increased by US$72.2 million, or 8.7 per cent., to US$901.7 million during FY 2015, from US$829.5 million for FY 2014. A 10.3 per cent. increase in average retail revenues per head (approximately US$85.4 million of total retail revenues), partially offset by a 1.6 per cent. decrease in admissions (approximately US$13.3 million of total retail revenues), led to the overall increase in FY 2015 retail revenue. The decrease in admissions during FY 2015 was primarily related to the timing of Regal's fiscal calendar described above. Admissions for the seven additional days of operations during FY 2014 contributed approximately US$32.1 million, or 3.9 per cent., of the FY 2014 total retail revenues. The increase in average retail revenue per head for FY 2015 was primarily attributable to an increase in popcorn and beverage sales volume, selective price increases and the continued rollout of Regal's expanded food and alcohol menu.

Other revenues increased by US$25.7 million, or 16.3 per cent., to US$183.6 million during FY 2015, from US$157.9 million for FY 2014. During FY 2015, the increase in other revenues was due to an increase in revenues related to Regal's gift card and bulk ticket programmes, an increase in other cinema revenues primarily related to internet ticketing surcharges, an increase in revenues from its vendor marketing programmes and incremental National CineMedia revenues.

*Costs*

Total cost of sales increased by 5.2 per cent. from US$2,275.4 million in FY 2014 to US$2,394.4 million in FY 2015.

Administrative expenses increased by US$31.4 million, or 7.7 per cent., to US$441.3 million in FY 2015 from US$409.9 million in FY 2014.

Depreciation and amortisation expenses increased by 3.1 per cent. from US$198.3 million in FY 2014 to US$204.4 million in FY 2015. The increase in depreciation and amortisation expenses during FY 2015 was primarily related to the impact of increased capital expenditures associated with the installation of luxury reclining seats subsequent to FY 2014, and the opening of two new cinemas with 24 screens (partially offset by the closure of nine cinemas with 91 screens) subsequent to the end of FY 2014.

*Adjusted EBITDA*

In line with the revenue and costs described above, Adjusted EBITDA increased by 6.4 per cent. from US$563.6 million in FY 2014 to approximately US$599.8 million in FY 2015.

*Operating Profit*

Total operating profit increased by US$31.8 million, or 10.5 per cent., to US$334.2 million during FY 2015, from US$302.4 million in FY 2014. The increase in operating profit during FY 2015 was primarily attributable to the increase in total revenues, partially offset by an increase in cost of sales when compared to FY 2014.

*Capital Expenditures*

In September 2015, Regal completed the acquisition of five cinemas with 61 screens from entities affiliated with Georgia Theatre Company for an aggregate net cash purchase price of US$9.2 million. Further capital expenditures were associated with the installation of luxury reclining seats and the opening of two new cinemas with 24 screens.

*Net Debt*

Net debt obligations increased during FY 2014 from US$2,067.2 million as at 1 January 2014 to US$2,178.4 million as at 1 January 2015. During FY 2015, there was a modest decrease in net debt to US$2,088.4 million as at 31 December 2015.

## 5. Capitalisation and Indebtedness

The following table sets out the consolidated capitalisation of Regal as at 30 September 2017.

| | *As at 30 September 2017* |
|---|---|
| | *US$m* |
| Share capital | 0.1 |
| Share premium | (931.6) |
| Other reserves | (45.7) |
| **Total** | (977.2) |

**Notes:**

(1) Since 30 September 2017, there has been no material change in the capitalisation of Regal.

(2) Included in the "Other reserves" line item is total retained earnings deficit of $45.9 million for the nine months ended 30 September 2017.

The following table sets out the unaudited consolidated indebtedness of Regal as at 30 November 2017.

| | *As at 30 November 2017* |
|---|---|
| | *(unaudited)* |
| | *US$m* |
| **Current financial debt** | 26.7 |
| Guaranteed | 11.0 |
| Secured | – |
| Unguaranteed and unsecured (including financial leases) | 15.7 |
| **Non-current financial debt (excluding current portion of long-term debt)** | 2,425.3 |
| Guaranteed | 2,340.3 |
| Secured | – |
| Unguaranteed and unsecured (including financial leases) | 85.0 |
| **Net financial indebtedness as at 30 November 2017** | |
| A. Cash | 261.1 |
| B. Cash equivalents | – |
| C. Financial assets at fair value through income | – |
| **D. Liquidity (A+B+C)** | 261.1 |
| **E. Current portion of financial receivables** | |
| F. Current bank debt | – |
| G. Current portion of non-current debt | 11.0 |
| H. Current other financial debt | 15.7 |
| **I. Current financial debt (F+G+H)** | 26.7 |
| **J. Net current financial debt (I-E-D)** | **(234.4)** |
| K. Non-current bank debt | 1,080.6 |
| L. Bonds issued | 1,260.0 |
| M. Non-current other financial debt | 85.0 |
| **N. Non-current financial debt (K+L-M)** | **2,425.3** |
| **O. Net financial debt excluding impact of debt derivatives qualifying as hedges (J+N)** | **2,190.9** |
| P. Debt derivatives qualifying as hedges and other derivatives | (0.9) |
| **Q. Net financial debt including impact of debt derivatives qualifying as hedges (O+P)** | **2,190.0** |

## 6. Liquidity and capital resources

### 6.1 *Overview*

Regal's principal sources of liquidity to finance its operations are cash generated from operating cash flows, cash on hand and borrowings under the Amended Senior Credit Facility described below. Regal's primary uses of cash are to cover its operating expenses, capital expenditures, investments, acquisitions, general corporate purposes related to corporate operations, debt service and dividend payments.

### 6.2 *Cash flows*

Regal's revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit cards at the point of sale and through internet ticketing partners. Its operating expenses are primarily related to film and advertising costs, rent and occupancy and payroll. Film costs are ordinarily paid to distributors within 30 days following receipt of box office revenues and the cost of concessions are generally paid to vendors approximately 30 to 35 days from purchase. In addition, from time to time, Regal uses cash from operations to fund dividends in excess of net income attributable to controlling interest and to fund dividends in excess of cash flows from operating activities less capital expenditures (net of proceeds from asset sales). As a result, at any given time, its balance sheet may reflect a working capital deficit.

Net cash flows from operating activities totalled US$487.7 million, US$509.8 million and US$440.6 million for FY 2016, FY 2015 and FY 2014, respectively. The decrease in net cash flows from operating activities for FY 2016 as compared to FY 2015 was caused by a negative fluctuation in working capital activity (primarily related to the timing of vendor payments, including film payables, as a result of increased admissions and box office revenues at its cinemas during the latter part of FY 2015), partially offset by an increase in landlord contributions and an increase in net income excluding non-cash items.

Net cash flows provided by operating activities totalled US$324.5 million and US$323.5 million for the 2017 Nine Month Period and the 2016 Nine Month Period, respectively. The increase in net cash flows generated by operating activities for the 2017 Nine Month Period as compared to the 2016 Nine Month Period was primarily caused by a positive fluctuation in working capital activity (primarily related to the timing of vendor payments, including film payables, as a result of increased admissions and box office revenues during the latter part of September 2017 and fluctuations in accounts receivable activity) and an increase in landlord contributions related to Regal's luxury reclining seating initiative, partially offset by a decrease in net income excluding non-cash items.

On 24 October 2017, Regal's board of directors declared a cash dividend in the amount of US$0.22 per Regal Share, payable on 15 December 2017 to the Regal Stockholders of record on 4 December 2017. Declared dividends have been funded through cash flow from operations and available cash on hand.

6.3 ***Debt Obligations***

Regal's outstanding loans as at 30 September 2017 and 31 December 2016 consist of the following (in US$ millions):

| | *Currency* | *Nominal interest rate* | *Year of maturity* | *31 December 2016 Face value US$m* | *30 September 2017 Face value US$m* |
|---|---|---|---|---|---|
| Unsecured bank loan – 1 | USD | 3.27% | 2022 | 954.7 | 1,099.9 |
| Senior note – 1 | USD | 5.75% | 2022 | 775.0 | 775.0 |
| Senior note – 2 | USD | 5.75% | 2023 | 250.0 | 250.0 |
| Senior note – 3 | USD | 5.75% | 2025 | 250.0 | 250.0 |
| Finance lease liabilities | USD | 11.14% | 2021 | 106.3 | 99.0 |
| **Total interest bearing liabilities** | | | | 2,336.0 | 2,473.9 |

*Regal's Amended Senior Credit Facility*

In April 2015, Regal Cinemas entered into a seventh amended and restated credit agreement (the **Amended Senior Credit Facility**), with Credit Suisse AG as Administrative Agent (**Credit Suisse AG**) and the lenders party thereto, which amended, restated and refinanced the sixth amended and restated credit agreement (the **Prior Senior Credit Facility**). The Amended Senior Credit Facility consisted of a term loan facility (the **Regal Term Facility**) in an aggregate principal amount of US$965.8 million with a final maturity date in April 2022 and a revolving credit facility (the **Revolving Facility**) in an aggregate principal amount of US$85.0 million with a final maturity date in April 2020. The Regal Term Facility amortised in equal quarterly instalments in an aggregate annual amount equal to 1.0 per cent. of the original principal amount of the Regal Term Facility, with the balance payable on the Regal Term Facility maturity date. Proceeds from the Regal Term Facility (approximately US$963.3 million, net of debt discount) were applied to refinance the term loan under the Prior Senior Credit Facility, which had an aggregate outstanding principal balance of approximately US$963.2 million.

In June 2016 and December 2016 Regal Cinemas entered into permitted secured refinancing agreements with Regal Entertainment Holdings, Inc. (**REH**), the guarantors party thereto, Credit Suisse AG and the lenders party thereto (the **June 2016 Refinancing Agreement** and **December 2016 Refinancing Agreement**). Pursuant to the June 2016 Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Regal Term Facility under the Amended Senior Credit Facility, which had an aggregate principal balance of approximately US$958.5 million, and in accordance therewith, received term loans in an aggregate principal amount of approximately US$958.5 million with a final maturity date in April 2022. Together with other amounts provided by Regal Cinemas, proceeds of the term loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Regal Term Facility under the Amended Senior Credit Facility. In connection with the execution of the June 2016 Refinancing Agreement, Regal recorded a loss on debt extinguishment of approximately US$1.5 million during the quarter ended 30 June 2016. Pursuant to the December 2016 Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Regal Term Facility, which had an aggregate principal balance of approximately US$956.1 million, and in accordance therewith, received term loans in an aggregate principal amount of approximately US$956.1 million with a final maturity date in April 2022. Together with other amounts provided by Regal Cinemas, proceeds of the term loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Regal Term Facility under the Amended Senior Credit Facility. In connection with the execution of the December 2016 Refinancing Agreement, Regal recorded a loss on debt extinguishment of approximately US$1.4 million during the quarter ended 31 December 2016.

On 6 June 2017, Regal Cinemas entered into a permitted secured refinancing and incremental joinder agreement (the **June 2017 Refinancing Agreement**) with REH, the guarantors party thereto, Credit Suisse AG and the lenders party thereto. Pursuant to the June 2017 Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Regal Term Facility, which had an aggregate principal balance of approximately US$953.7 million, and in accordance therewith, received term loans in an aggregate principal amount of approximately US$953.7 million with a final maturity date in April 2022 (the **Refinanced Term Loans**). Together with other amounts provided by Regal Cinemas, proceeds of the Refinanced Term Loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the existing term facility under the Amended Senior Credit Facility in effect immediately prior to the making of the Refinanced Term Loans. Pursuant to the June 2017 Refinancing Agreement, Regal Cinemas also exercised the "accordion" feature under the Amended Senior Credit Facility to increase the aggregate amount of term loans thereunder by US$150.0 million (the **2017 Accordion**). The "accordion" feature provides Regal Cinemas with the option to borrow additional term loans under the Amended Senior Credit Facility in an amount of up to US$200.0 million, plus additional amounts as would not cause the consolidated total leverage ratio to exceed 3.00:1.00, in each case, subject to lenders providing additional commitments for such amounts and the satisfaction of certain other customary conditions. The entire US$150.0 million under the 2017 Accordion was fully drawn on 6 June 2017 on the same terms as the Refinanced Term Loans (such amounts drawn, the Incremental Term Loans, and together with the Refinanced Term Loans, the **New Term Loans**). A portion of the proceeds of the **Incremental Term Loans** were used by Regal Cinemas to pay fees and expenses related to the June 2017 Refinancing Agreement, with the remainder used to partially fund the acquisitions described in paragraph 4.1 above.

The New Term Loans amortise in equal quarterly instalments in an aggregate annual amount equal to 1.0 per cent. of the original principal amount of the New Term Loans, with the balance payable on the maturity date of the New Term Loans. The June 2017 Refinancing Agreement also amends the Amended Senior Credit Facility by reducing the interest rate on the New Term Loans, by providing, at Regal Cinemas' option, either a base rate or an adjusted LIBOR rate plus, in each case, an applicable margin. Such applicable margin will be either 1.00 per cent. in the case of base rate loans or 2.00 per cent. in the case of LIBOR rate loans. The June 2017 Refinancing Agreement also provides for a 1 per cent. prepayment premium applicable in the event that Regal Cinemas enters into a refinancing or amendment of the New Term Loans on or prior to the six-month anniversary of the closing of the June 2017 Refinancing Agreement that, in either case, has the effect of reducing the interest rate on the New Term Loans. In connection with the execution of the June 2017 Refinancing Agreement, Regal recorded a loss on debt extinguishment of approximately US$1.3 million during the quarter ended 30 June 2017.

No amounts have been drawn on the Revolving Facility. As of 30 September 2017, Regal had approximately US$2.7 million outstanding in letters of credit, leaving approximately US$82.3 million available for drawing under the Revolving Facility. The obligations of Regal Cinemas are secured by, among other things, a lien on substantially all of its tangible and intangible personal property (including but not limited to accounts receivable, inventory, equipment, general intangibles, investment property, deposit and securities accounts, and intellectual property) and certain owned real property. The obligations under the Amended Senior Credit Facility are also guaranteed by certain subsidiaries of Regal Cinemas and secured by a lien on all or substantially all of such subsidiaries' personal property and certain owned real property pursuant to that certain second amended and restated guarantee and collateral agreement, dated as of 19 May 2010, among Regal Cinemas, certain subsidiaries of Regal Cinemas party thereto and Credit Suisse AG (the **Amended Guarantee Agreement**). The obligations are further guaranteed by Regal Entertainment Holdings, Inc., on a limited recourse basis, with such guarantee being secured by a lien on the capital stock of Regal Cinemas. Borrowings under the Amended Senior Credit Facility bear interest, at Regal Cinemas' option, at either a base rate or an adjusted LIBOR rate (as defined in the Amended Senior Credit Facility) plus, in each case, an applicable margin of 1.00 per cent. in the case of base rate loans or 2.00 per cent. in the case of LIBOR rate loans. Interest is payable (a) in the case of base rate loans, quarterly in arrears, and (b) in the case of LIBOR rate loans, at the end of each interest period, but in no event less often than every three months. As of 30 September 2017 and 31 December 2016, borrowings of US$1,099.9 million (net of debt discount) and US$954.7 million (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 3.40 per cent. (as of 30 September 2017) and 3.56 per cent. (as of 31 December 2016), after the impact of the interest rate swaps described below is taken into account.

The Amended Senior Credit Facility provides variable rate interest that could be adversely affected by an increase in interest rates. Borrowings under the New Term Loans bear interest, at Regal Cinemas' option, at either a base rate or an adjusted LIBOR rate plus, in each case, an applicable margin. Regal Cinemas has entered into hedging relationships via interest rate swap agreements to hedge against this interest rate exposure. Under the terms of Regal's effective interest rate swap agreement (which hedges an aggregate of $200.0 million of variable rate debt obligations as of 31 December 2016), Regal Cinemas pays interest at a fixed rate of 2.165 per cent. and receives interest at a variable rate. This agreement expires on 30 June 2018. On 9 August 2017, Regal Cinemas entered into two additional hedging relationships via two distinct interest rate swap agreements with effective dates beginning on 30 June 2018 and 31 December 2018 and maturity terms ending on 30 June 2022 and 31 December 2021, respectively. These swaps were designated as cash flow hedges and will require Regal Cinemas to pay interest at fixed rates ranging from 1.90 per cent. to 1.908 per cent. and receive interest at a variable rate. The interest rate swaps are designated to hedge US$450.0 million of variable rate debt obligations.

The Amended Senior Credit Facility contains a change of control provision. The occurrence of a change of control (as defined in the Amended Senior Credit Facility) constitutes an event of default, which could result in the acceleration of all amounts and cancellation of all commitments outstanding under the Amended Senior Credit Facility. Completion will result in a change of control under the Amended Senior Credit Facility and it is expected that the Senior Credit Facility will be prepaid in full. As at 30 September 2017, US$1,099.9 million was outstanding under the Amended Senior Credit Facility, the prepayment of which will be financed by drawing down on the Term Facility at or around Completion.

*Regal's Senior Notes*

In March 2014, Regal issued US$775.0 million in aggregate principal amount of its 5¾ per cent. senior notes due 2022 (the **5¾ per cent. Senior Notes Due 2022**) in a registered public offering.

The 5¾ per cent. Senior Notes Due 2022 bear interest at a rate of 5.75 per cent. per year, payable semi-annually in arrears on 15 March and 15 September of each year, beginning 15 September 2014. The 5¾ per cent. Senior Notes Due 2022 will mature on 15 March 2022. The 5¾ per cent. Senior Notes Due 2022 are Regal's senior unsecured obligations and rank equal in right of payment with all of Regal's existing and future senior unsecured indebtedness and prior to all of Regal's future subordinated indebtedness. The 5¾ per cent. Senior Notes Due 2022 are effectively subordinated to all of Regal's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of Regal's subsidiaries. None of Regal's subsidiaries guarantee any of Regal's obligations with respect to the 5¾ per cent. Senior Notes Due 2022.

On 17 January 2013, Regal issued US$250.0 million in aggregate principal amount of its 5¾ per cent. senior notes due 2025 (the **5¾ per cent. Senior Notes Due 2025**) in a registered public offering. The 5¾ per cent. Senior Notes Due 2025 bear interest at a rate of 5.75 per cent. per year, payable semi-annually in arrears on 1 February and 1 August of each year, beginning 1 August 2013. The 5¾ per cent. Senior Notes Due 2025 will mature on 1 February 2025. The 5¾ per cent. Senior Notes Due 2025 are Regal's senior unsecured obligations. They rank equal in right of payment with all of the Regal's existing and future senior unsecured indebtedness and prior to all of Regal's future subordinated indebtedness. The 5¾ per cent. Senior Notes Due 2025 are effectively subordinated to all of Regal's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of Regal's subsidiaries. None of Regal's subsidiaries guarantee any of Regal's obligations with respect to the 5¾ per cent. Senior Notes Due 2025.

On 13 June 2013, Regal issued US$250.0 million in aggregate principal amount of its 5¾ per cent. senior notes due 2023 (the **5¾ per cent. Senior Notes Due 2023**, together with the 5¾ per cent. Senior Notes Due 2022 and the 5¾ per cent. Senior Notes Due 2025, the **Regal Senior Notes**) in a registered public offering. The 5¾ per cent. Senior Notes Due 2023 bear interest at a rate of 5.75 per cent. per year, payable semi-annually in arrears on 15 June and 15 December of each year, beginning 15 December 2013. The 5¾ per cent. Senior Notes Due 2023 will mature on 15 June 2023. The 5¾ per cent. Senior Notes Due 2023 are Regal's senior unsecured obligations. They rank equal in right of payment with all of Regal's existing and future senior unsecured indebtedness and prior to all of Regal's future subordinated indebtedness. The 5¾ per cent. Senior Notes Due 2023 are effectively subordinated to all of Regal's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of Regal's subsidiaries. None of Regal's subsidiaries guarantee any of Regal's obligations with respect to the 5¾ per cent. Senior Notes Due 2023.

Each of the instruments constituting the Regal Senior Notes (the **Instruments**) contains change of control provisions. The occurrence of a change of control (as defined in the relevant Instrument) requires that Regal make an offer to purchase to all holders at a price of 101 per cent. of the outstanding principal amount (plus any accrued and unpaid interest to the date of purchase). Completion will result in a change of control under each of the Instruments. It is expected that the Instruments will be discharged at Completion by payment to the trustee of the required redemption price plus a make-whole premium on each series of the Instruments, which premiums range from 102.875 per cent. to 104.313 per cent. of the outstanding principal amount, depending on the date on which Completion occurs. The required redemption amount as at 30 September 2017 was US$1,275 million, the payment of which will be financed by drawing down on the Term Facility at or around Completion.

*Covenant compliance*

The Amended Senior Credit Facility includes the following financial maintenance covenants, which are applicable only in certain circumstances where usage of the revolving credit commitments exceeds 30 per cent. of such commitments. Such financial covenants are limited to the following:

- maximum adjusted leverage ratio, determined by the ratio of (i) the sum of funded debt (net of unencumbered cash) plus the product of eight times lease expense to (ii) consolidated EBITDAR (as defined therein), of 6.0 to 1.0; and

- maximum total leverage ratio, determined by the ratio of funded debt (net of unencumbered cash) to consolidated EBITDA (as defined therein), of 4.0 to 1.0.

The Amended Senior Credit Facility requires that Regal Cinemas and its subsidiaries comply with covenants relating to customary matters, including with respect to incurring indebtedness and liens, making investments and acquisitions, effecting mergers and asset sales, prepaying indebtedness, and paying dividends.

The Amended Senior Credit Facility also limits capital expenditures to an amount not to exceed 35 per cent. of consolidated EBITDA (as defined therein) for the prior fiscal year plus a one-year carry forward for unused amounts from the prior fiscal year. Among other things, such limitations restrict the ability of Regal Cinemas to fund the operations of Regal or any subsidiary of Regal that is not a subsidiary of Regal Cinemas which guarantees the obligations under the Amended Senior Credit Facility.

The Amended Senior Credit Facility includes events of default relating to customary matters, including, among other things, non-payment of principal, interest or other amounts; violation of covenants; incorrectness of representations and warranties in any material respect; cross default and cross acceleration with respect to indebtedness in an aggregate principal amount of US$25.0 million or more; bankruptcy; judgments involving liability of US$25.0 million or more that are not paid; ERISA events; actual or asserted invalidity of guarantees or security documents; and change of control.

As of 30 September 2017, Regal was in full compliance with all agreements, including all related covenants, governing its outstanding debt obligations.

# PART VIII

# HISTORICAL FINANCIAL INFORMATION RELATING TO CINEWORLD

## 1. Basis of financial information

The audited consolidated financial statements of the Cineworld Group included in the Cineworld Group's annual reports for FY 2014, FY 2015 and FY 2016, together with the audit reports thereon, are incorporated by reference into this document. The unaudited interim results for the six month period ended 30 June 2017 are also incorporated by reference into this document. The consolidated financial statements as of and for the 53 week period ended 1 January 2015, the 52 week period ended 31 December 2015 and the year ended 31 December 2016 were prepared in accordance with IFRS, were audited and the audit report for each such financial year was unqualified.

The unaudited interim results for the Cineworld Group for the 2017 Nine Month Period are set out in Section 3 of this Part VIII.

## 2. Cross-reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

### 2.1 *Cineworld Group's 2014 Annual Report and Accounts*

The page numbers below refer to the relevant pages of Cineworld Group's 2014 Annual Report and Accounts:

- Independent Auditors' Report – pages 70 to 72;
- Consolidated Statement of Profit Loss – page 73;
- Consolidated Statement of Other Comprehensive Income – page 74;
- Consolidated Statement of Financial Position – page 75;
- Consolidated Statement of Changes in Equity – page 76;
- Consolidated Statement of Cash Flows – page 77; and
- Notes to the Consolidated Financial Statements – pages 78 to 129.

### 2.2 *Cineworld Group's 2015 Annual Report and Accounts*

The page numbers below refer to the relevant pages of Cineworld Group's 2015 Annual Report and Accounts:

- Independent Auditors' Report – pages 81 to 83;
- Consolidated Statement of Profit Loss – page 84;
- Consolidated Statement of Other Comprehensive Income – page 85;
- Consolidated Statement of Financial Position – page 86;
- Consolidated Statement of Changes in Equity – page 87;
- Consolidated Statement of Cash Flows – page 88; and
- Notes to the Consolidated Financial Statements – pages 89 to 135.

2.3 ***Cineworld Group's 2016 Annual Report and Accounts***

The page numbers below refer to the relevant pages of Cineworld Group's 2016 Annual Report and Accounts:

- Independent Auditors' Report – pages 79 to 81;
- Consolidated Statement of Profit Loss – page 82;
- Consolidated Statement of Other Comprehensive Income – page 83;
- Consolidated Statement of Financial Position – page 84;
- Consolidated Statement of Changes in Equity – page 85;
- Consolidated Statement of Cash Flows – page 86; and
- Notes to the Consolidated Financial Statements – pages 87 to 137.

2.4 ***Cineworld Group's 2017 Interim Report***

The page numbers below refer to the relevant pages of Cineworld Group's 2017 Interim Report:

- Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income – page 8;
- Condensed Consolidated of Financial Position – page 9;
- Condensed Consolidated Interim Statement of Changes in Equity – pages 10 to 11;
- Condensed Consolidated Statement of Cash Flows – page 12;
- Notes to the Interim Condensed Consolidated Financial Statements – pages 13 to 19; and
- Independent Review – page 20.

## 3. Unaudited Interim Results for the Cineworld Group for the 2017 Nine Month Period

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

*for the nine months ended 30 September 2017*

| | *Nine months ended 30 September 2016 (unaudited) £m* | *Nine months ended 30 September 2017 (unaudited) £m* | *12 months ended 31 December 2016 £m* |
|---|---|---|---|
| Box office | 359.1 | 403.0 | 500.9 |
| Retail | 136.0 | 156.7 | 190.8 |
| Other Income | 69.0 | 73.9 | 106.1 |
| **Revenue** | 564.1 | 633.6 | 797.8 |
| Cost of sales | (420.3) | (477.8) | (584.8) |
| **Gross profit** | 143.8 | 155.8 | 213.0 |
| Other operating income | 1.9 | 2.3 | 2.7 |
| Administrative expenses | (74.0) | (83.1) | (102.9) |
| **Operating profit** | 71.7 | 75.0 | 112.8 |
| **Reconciliation from operating profit to Adjusted EBITDA as defined in footnote 1** | | | |
| **Operating profit** | 71.7 | 75.0 | 112.8 |
| Share of loss of associates using equity accounting method, net of tax | (0.1) | (0.1) | – |
| **Operating profit plus share of loss of associates using equity accounting method, net of tax** | **71.6** | **74.9** | **112.8** |
| —Depreciation and amortisation | 41.9 | 50.2 | 58.6 |
| —Onerous leases | 1.2 | 0.7 | (1.5) |
| —Impairments and reversals of impairments | 0.8 | 0.6 | (0.4) |
| —Transaction and reorganisation costs | 0.2 | 2.8 | 4.8 |
| —Undistributed share of profits from associates | – | – | – |
| —(Gains)/Losses on disposals of assets | 0.3 | (2.7) | 1.5 |
| **Adjusted EBITDA(1)** | **116.0** | **126.5** | **175.8** |
| Finance income | 1.0 | 1.2 | 3.0 |
| Finance expenses | (15.6) | (8.1) | (17.6) |
| **Net finance costs** | (14.6) | (6.9) | (14.6) |
| Share of loss of associates using equity accounting method, net of tax | (0.1) | (0.1) | – |
| **Profit before tax** | 57.0 | 68.0 | 98.2 |
| Taxation | (9.4) | (11.2) | (16.2) |
| **Profit for the period attributable to equity holders of the Company** | 47.6 | 56.8 | 82.0 |
| **Other comprehensive income** | | | |
| *Items that will not subsequently be reclassified to profit or loss* | | | |
| Re-measurement of the defined benefit asset | (1.8) | – | (5.1) |
| Income tax (charge)/credit recognised on other comprehensive income | 0.2 | – | 1.0 |
| *Items that will subsequently be reclassified to profit or loss* | | | |
| Foreign exchange translation gain | 94.0 | 21.2 | 88.2 |
| Movement in fair value of cash flow hedges | (0.8) | (0.1) | 0.5 |
| Movement in fair value of net investment hedge | (1.6) | (1.4) | (1.3) |
| Net change in fair value of cash flow hedges recycled to profit or loss | – | – | (1.9) |
| **Other comprehensive income for the period, net of income tax** | 90.0 | 19.7 | 81.4 |
| **Total comprehensive income for the period attributable to equity holders of the Company** | 137.6 | 76.5 | 163.4 |

**Notes:**

(1) Adjusted EBITDA as reported in the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income is defined as operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities.

**Condensed Consolidated Statement of Financial Position**
*As at 30 September 2017*

| | *30 September 2016 (unaudited)* | | *30 September 2017 (unaudited)* | | *31 December 2016* | |
|---|---|---|---|---|---|---|
| | *£m* | *£m* | *£m* | *£m* | *£m* | *£m* |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | | 437.8 | | 500.4 | | 445.4 |
| Goodwill | | 654.2 | | 669.5 | | 650.6 |
| Other intangible assets | | 54.6 | | 48.1 | | 54.2 |
| Investment in equity-accounted investee | | 0.7 | | 1.0 | | 0.9 |
| Other receivables | | 6.8 | | 6.0 | | 6.0 |
| Employee benefits | | 9.6 | | – | | – |
| **Total non-current assets** | | 1,163.7 | | 1,225.0 | | 1,157.1 |
| **Current assets** | | | | | | |
| Inventories | 10.9 | | 10.8 | | 9.8 | |
| Trade and other receivables | 70.9 | | 73.0 | | 74.0 | |
| Cash and cash equivalents | 26.4 | | 19.4 | | 55.8 | |
| **Total current assets** | | 108.2 | | 103.2 | | 139.6 |
| **Total assets** | | 1,271.9 | | 1,328.2 | | 1,296.7 |
| **Current liabilities** | | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (18.7) | | (13.2) | | (16.8) | |
| Trade and other payables | (140.7) | | (126.2) | | (175.8) | |
| Current taxes payable | (10.6) | | (15.2) | | (10.5) | |
| Bank overdraft | - | | (3.8) | | – | |
| Provisions | (5.2) | | (7.0) | | (6.3) | |
| **Total current liabilities** | | (175.2) | | (165.4) | | (209.4) |
| **Non-current liabilities** | | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (342.0) | | (326.4) | | (321.3) | |
| Other payables | (97.1) | | (91.4) | | (76.5) | |
| Employee benefits | (1.6) | | (1.9) | | (1.8) | |
| Provisions | (18.5) | | (8.0) | | (11.6) | |
| Deferred tax liabilities | (10.9) | | (10.3) | | (12.7) | |
| **Total non-current liabilities** | | (470.1) | | (438.0) | | (423.9) |
| **Total liabilities** | | (645.3) | | (603.4) | | (633.3) |
| **Net assets** | | 626.6 | | 724.8 | | 663.4 |
| **Equity attributable to equity holders of the Company** | | | | | | |
| Share capital | | 2.7 | | 2.7 | | 2.7 |
| Share premium | | 295.8 | | 343.5 | | 306.4 |
| Translation reserve | | 44.7 | | 60.1 | | 38.9 |
| Merger reserve | | 207.3 | | 207.3 | | 207.3 |
| Hedging reserve | | (2.1) | | (3.9) | | (2.4) |
| Retained earnings | | 78.2 | | 115.1 | | 110.5 |
| **Total equity** | | 626.6 | | 724.8 | | 663.4 |

## Condensed Consolidated Interim Statement of Changes in Equity

*for the nine months ended 30 September 2017*

| | *Issued capital £m* | *Share premium £m* | *Merger Reserve £m* | *Translation reserve £m* | *Hedging reserve £m* | *Retained earnings £m* | *Total £m* |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 2.7 | 306.4 | 207.3 | 38.9 | (2.4) | 110.5 | 663.4 |
| Profit for the period | – | – | – | – | – | 56.8 | 56.8 |
| **Other comprehensive income** | | | | | | | |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of cashflow hedges | – | – | – | – | (0.1) | – | (0.1) |
| Retranslation of foreign currency denominated subsidiaries | – | – | – | 21.2 | – | – | 21.2 |
| Movement in net investment hedge | – | – | – | – | (1.4) | – | (1.4) |
| **Contributions by and distributions to owners** | | | | | | | |
| Dividends | – | – | – | – | – | (53.8) | (53.8) |
| Movements due to share-based compensation | – | – | – | – | – | 1.6 | 1.6 |
| Issue of shares | – | 37.1 | – | – | – | – | 37.1 |
| **Balance at 30 September 2017** | 2.7 | 343.5 | 207.3 | 60.1 | (3.9) | 115.1 | 724.8 |

## Condensed Consolidated Interim Statement of Changes in Equity (Continued)

*for the nine months ended 30 September 2016*

| | *Issued capital £m* | *Share premium £m* | *Merger Reserve £m* | *Translation reserve £m* | *Hedging reserve £m* | *Retained earnings £m* | *Total £m* |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 2.7 | 295.7 | 207.3 | (49.3) | 0.3 | 78.0 | 534.7 |
| Profit for the period | – | – | – | – | – | 47.6 | 47.6 |
| **Other comprehensive income** | | | | | | | |
| *Items that will not subsequently be reclassified to profit or loss* | | | | | | | |
| Re-measurement of the defined benefit asset | – | – | – | – | – | (1.8) | (1.8) |
| Tax recognised on items that will not be reclassified to profit or loss | – | – | – | – | – | 0.2 | 0.2 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of cashflow hedges | – | – | – | – | (0.8) | – | (0.8) |
| Retranslation of foreign currency denominated subsidiaries | – | – | – | 94.0 | – | – | 94.0 |
| Movement in net investment hedge | – | – | – | – | (1.6) | | (1.6) |
| Tax recognised on items that will be subsequently reclassified to profit or loss | – | – | – | – | – | – | – |
| **Contributions by and distributions to owners** | | | | | | | |
| Dividends | – | – | – | – | – | (46.9) | (46.9) |
| Movements due to share-based compensation | – | – | – | – | – | 1.1 | 1.1 |
| Issue of shares | – | 0.1 | – | – | – | – | 0.1 |
| **Balance at 30 September 2016** | 2.7 | 295.8 | 207.3 | 44.7 | (2.1) | 78.2 | 626.6 |

## Condensed Consolidated Interim Statement of Changes in Equity (Continued)

*for the year ended 31 December 2016*

| | *Issued capital £m* | *Share premium £m* | *Merger Reserve £m* | *Translation reserve £m* | *Hedging reserve £m* | *Retained earnings £m* | *Total £m* |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 2.7 | 295.7 | 207.3 | (49.3) | 0.3 | 78.0 | 534.7 |
| Profit for the year | – | – | – | – | – | 82.0 | 82.0 |
| 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* | | | | | | | |
| Re-measurement of the defined benefit asset | – | – | – | – | – | (5.1) | (5.1) |
| Tax recognised on items that will not be reclassified to profit or loss | – | – | – | – | – | 1.0 | 1.0 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of cash flow hedge | – | – | – | – | 0.5 | – | 0.5 |
| Movement in net investment hedge | – | – | – | – | (1.3) | – | (1.3) |
| Retranslation of foreign currency denominated subsidiaries | – | – | – | 88.2 | – | – | 88.2 |
| **Contributions by and distributions to owners** | | | | | | | |
| Dividends | – | – | – | – | – | (47.0) | (47.0) |
| Movements due to share-based compensation | – | – | – | – | – | 1.6 | 1.6 |
| Issue of shares* | – | 10.7 | – | – | – | – | 10.7 |
| **Balance at 31 December 2016** | 2.7 | 306.4 | 207.3 | 38.9 | (2.4) | 110.5 | 663.4 |

**Condensed Consolidated Statement of Cash Flows**
*for the nine months ended 30 September 2017*

| | *9 months ended 30 September 2016 (unaudited) £m* | *9 months ended 30 September 2017 (unaudited) £m* | *12 months ended 31 December 2016* |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit for the period | 47.6 | 56.8 | 82.0 |
| *Adjustments for:* | | | |
| Financial income | (1.0) | (1.2) | (3.0) |
| Financial expense | 15.6 | 8.1 | 17.6 |
| Taxation charge | 9.4 | 11.2 | 16.2 |
| Share of loss of equity-accounted investee | 0.1 | 0.1 | – |
| Operating profit | 71.7 | 75.0 | 112.8 |
| Depreciation and amortisation | 41.9 | 50.1 | 58.6 |
| Non-cash property, pension and remuneration charges | 0.5 | 1.0 | (0.1) |
| Impairments and reversals of impairments | 0.8 | 0.7 | (0.4) |
| Surplus of pension contributions over current service cost | (0.8) | – | (0.8) |
| Decrease/(increase) in trade and other receivables | (3.9) | 0.9 | (6.0) |
| Increase in inventories | (1.7) | (1.0) | (0.6) |
| (Decrease)/increase in trade and other payables | (48.8) | (23.0) | (2.0) |
| (Decrease)/increase in provisions and employee benefits | (0.6) | (2.1) | (1.6) |
| Cash generated from operations | 59.1 | 101.6 | 159.9 |
| Tax paid | (5.4) | (8.9) | (9.8) |
| Net cash flows from operating activities | 53.7 | 92.7 | 150.1 |
| Cash flows from investing activities | | | |
| Interest received | 0.6 | 0.4 | 0.7 |
| Acquisition of subsidiaries net of acquired cash | (47.8) | (7.0) | (47.0) |
| Acquisition of property, plant and equipment and intangible assets | (53.3) | (68.4) | (83.7) |
| Proceeds from sale of property, plant and equipment | – | 2.0 | – |
| Investment in equity accounted investee | – | – | (0.3) |
| Net cash flows used in investing activities | (100.5) | (73.0) | (130.3) |
| Cash flows from financing activities | | | |
| Proceeds from share issue | 0.3 | 0.8 | 0.3 |
| Dividends paid to shareholders | (47.0) | (53.8) | (47.0) |
| Interest paid | (5.9) | (5.2) | (7.8) |
| Repayment of bank loans | (6.2) | (5.0) | (6.4) |
| Proceeds from bank loans | 57.5 | 8.4 | 28.0 |
| Payment of finance lease liabilities | (0.6) | (1.4) | (1.0) |
| Net cash used in financing activities | 2.1 | (56.2) | (33.9) |
| Net (decrease)/increase in cash and cash equivalents | (44.7) | (36.5) | (14.1) |
| Effect of exchange rate fluctuations on cash held | 8.6 | 0.1 | 7.4 |
| Cash and cash equivalents at start of period | 62.5 | 55.8 | 62.5 |
| Cash and cash equivalents at end of period | 26.4 | 19.4 | 55.8 |

# PART IX

# HISTORICAL FINANCIAL INFORMATION RELATING TO REGAL

**Basis of financial information**

This Part IX sets out audited financial information of Regal for FY 2014, FY 2015, FY 2016 and the 2017 Nine Month Period prepared under IFRS using policies consistent with those used in preparing the latest audited consolidated financial statements of the Cineworld Group.

The Cineworld Directors confirm that the audited financial information of Regal set out in this document is prepared in a form that is consistent with Cineworld's accounting policies in its latest annual accounts and in a manner consistent with the accounting policies to be adopted by the Cineworld Group in preparing its financial statements for FY 2017 and on the basis set out in the notes below and in accordance with Annex I to the PD Regulation.

## Consolidated Statement of Profit or Loss

| | Note | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|---|
| **Revenue** | 2 | 2,986.3 | 3,123.4 | 3,193.3 | 2,381.5 | 2,298.9 |
| Cost of sales | | (2,275.4) | (2,349.4) | (2,393.5) | (1,789.2) | (1,738.8) |
| **Gross profit** | | 710.9 | 774.0 | 799.8 | 592.3 | 560.1 |
| Other operating income | 3 | 1.4 | 1.5 | 1.5 | 1.1 | 0.9 |
| Administrative expenses | | (409.9) | (441.3) | (436.5) | (321.3) | (350.2) |
| **Operating profit** | 4 | 302.4 | 334.2 | 364.8 | 272.1 | 210.8 |
| **Reconciliation from operating profit to Adjusted EBITDA as defined in note 1:** | | | | | | |
| **Operating profit** | | 302.4 | 334.2 | 364.8 | 272.1 | 210.8 |
| Share of profits from associates using equity accounting method, net of tax | | 60.3 | 69.3 | 67.7 | 47.2 | 47.8 |
| **Operating profit plus share of profits from associates using equity accounting method, net of tax** | | 362.7 | 403.5 | 432.5 | 319.3 | 258.6 |
| – Depreciation and amortisation | 4 | 198.3 | 204.4 | 216.4 | 160.4 | 175.8 |
| – Onerous leases | 4 | 13.6 | (2.5) | (17.0) | (10.8) | (12.8) |
| – Impairments and reversals of impairments | 4 | 7.1 | 10.2 | 13.9 | – | 25.9 |
| – Transaction and reorganisation costs | 4 | – | 5.8 | 2.9 | 1.5 | 1.3 |
| – Undistributed share of profits from associates | | (17.8) | (25.7) | (21.0) | (22.1) | (19.3) |
| – (Gains)/Losses on disposals of assets | | (0.3) | 4.1 | (5.7) | 3.2 | (17.7) |
| **Adjusted EBITDA as defined in note 1** | | 563.6 | 599.8 | 622.0 | 451.5 | 411.8 |
| Finance income | 7 | 3.2 | 2.0 | 1.0 | 0.7 | 1.1 |
| Finance expenses | 7 | (192.9) | (132.7) | (130.1) | (98.2) | (95.4) |
| **Net finance costs** | | (189.7) | (130.7) | (129.1) | (97.5) | (94.3) |
| Share of profits from associates using equity accounting method, net of tax | | 60.3 | 69.3 | 67.7 | 47.2 | 47.8 |
| **Profit on ordinary activities before tax** | | 173.0 | 272.8 | 303.4 | 221.8 | 164.3 |
| Tax charge on profit on ordinary activities | 8 | (70.7) | (107.8) | (121.7) | (92.3) | (66.3) |
| **Profit on ordinary activities after tax** | | 102.3 | 165.0 | 181.7 | 129.5 | 98.0 |
| **Non-controlling interest** | | 0.4 | 0.2 | (0.1) | (0.1) | – |
| **Profit for the period/year attributable to equity holders of the Group** | | 102.7 | 165.2 | 181.6 | 129.4 | 98.0 |
| Basic earnings per share (cents) | 5 | 65.7 | 105.9 | 116.4 | 83.1 | 63.1 |
| Diluted earnings per share (cents) | 5 | 65.4 | 105.4 | 115.8 | 82.7 | 62.7 |

### Consolidated Statement of Other Comprehensive Income

| | Note | *53 weeks ended 1 January 2015* *$m* | *12 months ended 31 December 2015* *$m* | *12 months ended 31 December 2016* *$m* | *9 months ended 30 September 2016* *$m* *(unaudited)* | *9 months ended 30 September 2017* *$m* |
|---|---|---|---|---|---|---|
| **Profit for the period/year attributable to equity holders of the Group** | | 102.7 | 165.2 | 181.6 | 129.4 | 98.0 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | |
| Movement in fair value of interest rate swap | | 1.1 | 0.2 | 1.3 | 0.4 | 1.3 |
| Movement in fair value of interest rate swap of equity accounted associate | | (0.7) | (0.6) | – | (0.5) | 0.1 |
| Change in fair value of available for sale securities | | 0.5 | (0.2) | (0.6) | (0.5) | – |
| **Other comprehensive income/(loss) for the period/year, net of income tax** | | 0.9 | (0.6) | 0.7 | (0.6) | 1.4 |
| **Total comprehensive income for the period/year attributable to equity holders of the Group** | | 103.6 | 164.6 | 182.3 | 128.8 | 99.4 |

## Consolidated Statement of Financial Position

| | Note | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m (unaudited)* | *30 September 2017 $m* |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 9 | 1,404.3 | 1,364.7 | 1,364.0 | 1,362.7 | 1,473.9 |
| Goodwill | 10 | 320.4 | 328.7 | 327.0 | 328.7 | 345.8 |
| Other intangible assets | 10 | 15.5 | 18.0 | 14.6 | 15.6 | 14.8 |
| Investments in equity-accounted investee | 11 | 140.8 | 174.4 | 207.5 | 202.7 | 242.5 |
| Other receivables | 14 | 64.5 | 57.0 | 52.2 | 53.2 | 50.2 |
| Deferred tax | 12 | 148.6 | 156.7 | 144.1 | 149.7 | 139.0 |
| **Total non-current assets** | | 2,094.1 | 2,099.5 | 2,109.4 | 2,112.6 | 2,266.2 |
| **Current assets** | | | | | | |
| Assets held for sale | | – | 1.0 | 1.0 | 1.0 | 0.9 |
| Inventories | 13 | 17.8 | 22.4 | 20.9 | 20.5 | 23.9 |
| Trade and other receivables | 14 | 160.4 | 177.8 | 182.0 | 78.1 | 108.2 |
| Cash and cash equivalents | | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |
| **Total current assets** | | 325.2 | 420.8 | 450.4 | 286.5 | 322.5 |
| **Total assets** | | 2,419.3 | 2,520.3 | 2,559.8 | 2,399.1 | 2,588.7 |
| **Current liabilities** | | | | | | |
| Interest-bearing loans, borrowings and other financial liabilities | 16 | (25.2) | (26.0) | (24.2) | (23.8) | (25.3) |
| Trade and other payables | 17 | (452.8) | (529.1) | (488.6) | (353.6) | (365.1) |
| Current taxes payable | | (8.3) | (8.7) | (13.1) | (13.2) | (7.1) |
| Provisions | 19 | (16.1) | (16.9) | (19.6) | (16.9) | (23.4) |
| **Total current liabilities** | | (502.4) | (580.7) | (545.5) | (407.5) | (420.9) |
| **Non-current liabilities** | | | | | | |
| Interest-bearing loans, borrowings and other financial liabilities | 16 | (2,300.2) | (2,282.0) | (2,286.7) | (2,289.7) | (2,424.2) |
| Other payables | 17 | (582.2) | (596.5) | (639.3) | (624.9) | (675.6) |
| Provisions | 19 | (91.5) | (86.6) | (63.8) | (73.4) | (45.2) |
| **Total non-current liabilities** | | (2,973.9) | (2,965.1) | (2,989.8) | (2,988.0) | (3,145.0) |
| **Total liabilities** | | (3,476.3) | (3,545.8) | (3,535.3) | (3,395.5) | (3,565.9) |
| **Net liabilities** | | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.2) |
| **Equity attributable to equity holders of the Group** | | | | | | |
| Share capital | 20 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Share premium | | (941.8) | (940.0) | (934.3) | (936.4) | (931.6) |
| Hedging reserves | 20 | (2.2) | (2.6) | (1.3) | (2.7) | 0.1 |
| Non-controlling interest | | (2.5) | 0.2 | 0.2 | 0.2 | 0.1 |
| Retained earnings | | (110.6) | (83.2) | (40.2) | (57.6) | (45.9) |
| **Total deficit** | | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.2) |

## Consolidated Statement of Changes in Equity

| | *Issued capital* *$m* | *Share premium* *$m* | *Hedging reserve* *$m* | *Retained earnings* *$m* | *Total deficit attributable to equity holders* *$m* | *Non-controlling interests* *$m* | *Total* |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 0.1 | (782.9) | (2.6) | (84.8) | (870.2) | (1.9) | (872.1) |
| Profit for the 53 weeks ended 1 January 2015 | – | – | – | 102.7 | 102.7 | (0.4) | 102.3 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of interest rate swap | – | – | 1.1 | – | 1.1 | – | 1.1 |
| Movement in fair value of interest rate swap of equity accounted associate | – | – | (0.7) | – | (0.7) | – | (0.7) |
| Change in fair value of available for sale securities | – | – | – | 0.5 | 0.5 | – | 0.5 |
| Contributions by and distributions to owners | – | – | – | – | – | – | – |
| Dividends | – | (164.6) | – | (129.0) | (293.6) | (0.2) | (293.8) |
| Movements due to share-based compensation | – | 5.7 | – | – | 5.7 | | 5.7 |
| **Balance at 1 January 2015** | 0.1 | (941.8) | (2.2) | (110.6) | (1,054.5) | (2.5) | (1,057.0) |
| Profit for the 12 months ended 31 December 2015 | – | – | – | 165.2 | 165.2 | (0.2) | 165.0 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of interest rate swap | – | – | 0.2 | – | 0.2 | – | 0.2 |
| Movement in fair value of interest rate swap of equity accounted associate | – | – | (0.6) | – | (0.6) | – | (0.6) |
| Change in fair value of available for sale securities | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Contributions by and distributions to owners | – | – | – | – | – | – | – |
| Dividends | – | (0.1) | – | (137.6) | (137.7) | – | (137.7) |
| Movements due to share-based compensation | – | 7.4 | – | – | 7.4 | – | 7.4 |
| Acquisitions of non-controlling interests | – | (5.5) | – | – | (5.5) | 2.9 | (2.6) |
| **Balance at 31 December 2015** | 0.1 | (940.0) | (2.6) | (83.2) | (1,025.7) | 0.2 | (1,025.5) |
| Profit for the 12 months ended 31 December 2016 | – | – | – | 181.7 | 181.7 | – | 181.7 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of interest rate swap | – | – | 1.3 | – | 1.3 | – | 1.3 |
| Change in fair value of available for sale securities | – | – | – | (0.6) | (0.6) | – | (0.6) |
| Contributions by and distributions to owners | – | – | – | – | – | – | – |
| Dividends | – | – | – | (138.1) | (138.1) | – | (138.1) |
| Movements due to share-based compensation | – | 5.7 | – | – | 5.7 | – | 5.7 |
| **Balance at 31 December 2016** | 0.1 | (934.3) | (1.3) | (40.2) | (975.7) | 0.2 | (975.5) |

| | Issued capital $m | Share premium $m | Hedging reserve $m | Retained earnings $m | Total $m | Non-controlling interests $m | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 0.1 | (940.0) | (2.6) | (83.2) | (1,025.7) | 0.2 | (1,025.5) |
| Profit for the nine months ended 30 September 2016 (unaudited) | – | – | – | 129.5 | 129.5 | – | 129.5 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of cash flow hedge | – | – | 0.4 | – | 0.4 | – | 0.4 |
| Change in fair value of available for sale securities | – | – | – | (0.4) | (0.4) | – | (0.4) |
| Movement in fair value of cash flow hedge of equity accounted associate | – | – | (0.5) | – | (0.5) | – | (0.5) |
| Contributions by and distributions to owners | – | – | – | – | | | |
| Dividends | – | – | – | (103.5) | (103.5) | – | (103.5) |
| Movements due to share-based compensation | – | 3.6 | – | – | 3.6 | – | 3.6 |
| **Balance at 30 September 2016 (unaudited)** | 0.1 | (936.4) | (2.7) | (57.6) | (996.6) | 0.2 | (996.4) |
| **Balance at 1 January 2017** | 0.1 | (934.3) | (1.3) | (40.2) | (975.7) | 0.2 | (975.5) |
| Profit for the nine months ended 30 September 2017 | – | – | – | 98.0 | 98.0 | – | 98.0 |
| *Items that will subsequently be reclassified to profit or loss* | | | | | | | |
| Movement in fair value of cash flow hedge | – | – | 1.3 | – | 1.3 | – | 1.3 |
| Movement in fair value of cash flow hedge of equity accounted associate | – | – | 0.1 | – | 0.1 | – | 0.1 |
| Contributions by and distributions to owners | | | | | | | |
| Dividends | – | – | – | (103.7) | (103.7) | (0.1) | (103.8) |
| Movements due to share-based compensation | – | 2.7 | – | – | 2.7 | – | 2.7 |
| **Balance at 30 September 2017** | 0.1 | (931.6) | 0.1 | (45.9) | (977.3) | 0.1 | (977.2) |

## Consolidated Statement of Cash Flows

| | Note | *53 weeks ended 1 January 2015* *$m* | *12 months ended 31 December 2015* *$m* | *12 months ended 31 December 2016* *$m* | *9 months ended 30 September 2016* *$m* *(unaudited)* | *9 months ended 30 September 2017* *$m* |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Profit for the year | | 102.3 | 165.0 | 181.7 | 129.5 | 98.0 |
| Adjustments for: | | | | | | |
| Financial income | 7 | (3.2) | (2.0) | (1.0) | (0.7) | (1.1) |
| Financial expense | 7 | 192.9 | 132.7 | 130.1 | 98.2 | 95.4 |
| Taxation | 8 | 70.7 | 107.8 | 121.7 | 92.3 | 66.3 |
| Share from jointly controlled associates | | (60.3) | (69.3) | (67.7) | (47.2) | (47.8) |
| **Operating profit** | | | | | | |
| Depreciation and amortisation | 4 | 198.3 | 204.4 | 216.4 | 160.4 | 175.8 |
| Loss on debt extinguishment | | – | 5.7 | 2.9 | 1.5 | 1.3 |
| Gain on sale of available for sale securities | | (2.0) | – | (1.0) | (1.0) | (17.8) |
| Non-Cash loss on interest rate swaps | | – | 0.7 | (0.1) | – | (0.3) |
| Non-cash property, pension and remuneration charges/(reversals) | | 9.6 | (8.7) | (23.3) | (15.6) | (18.1) |
| Loss on disposal of fixed assets | | 1.7 | 4.1 | 5.0 | 4.2 | 0.1 |
| Share base payments charged | | 9.4 | 8.3 | 8.8 | 6.6 | 6.9 |
| Impairments and reversals of impairments | 4 | 7.1 | 10.2 | 13.9 | – | 25.9 |
| Increase in trade and other receivables | | (3.7) | (23.9) | (1.8) | 106.8 | 90.2 |
| Increase in inventories | | 1.3 | (4.7) | 1.5 | 1.9 | (2.2) |
| (Decrease)/increase in trade and other payables | | (10.7) | 89.9 | 2.7 | (133.8) | (61.3) |
| Decrease in provisions and employee benefit obligations | | | | | | |
| **Cash generated from operations** | | 513.4 | 620.0 | 589.8 | 403.5 | 411.3 |
| Tax paid | | (72.8) | (110.2) | (105.1) | (80.0) | (86.8) |
| **Net cash flows from operating activities** | | 440.6 | 509.8 | 484.7 | 323.5 | 324.5 |
| **Cash flows from investing activities** | | | | | | |
| Interest received | | 3.2 | 2.0 | 0.9 | 0.7 | 0.8 |
| Acquisition of subsidiaries net of acquired cash | | | (9.2) | – | – | (171.6) |
| Purchase of property, plant and equipment and intangible assets | | (156.8) | (185.7) | (215.7) | (155.1) | (175.5) |
| Proceeds from sale of associates | | 6.0 | – | 3.6 | 3.6 | 10.3 |
| Proceeds from disposal of property, plant and equipment | | 1.7 | 12.0 | 1.4 | 1.3 | 13.1 |
| Movement in deferred consideration | | 2.7 | – | – | – | (3.1) |
| Cash distributions on investments in associates | | 42.5 | 43.6 | 46.7 | 25.1 | 28.5 |
| Investment in equity accounted investee | | (4.0) | (0.4) | (13.7) | (8.7) | (11.1) |
| **Net cash flows from investing activities** | | (104.7) | (137.7) | (176.8) | (133.1) | (308.6) |

## Consolidated Statement of Cash Flows (continued)

| | Note | *53 weeks ended 1 January 2015* *$m* | *12 months ended 31 December 2015* *$m* | *12 months ended 31 December 2016* *$m* | *9 months ended 30 September 2016* *$m* *(unaudited)* | *9 months ended 30 September 2017* *$m* |
|---|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | | |
| Proceeds from share issue | | | | | | |
| Dividends paid to shareholders | | (294.8) | (139.1) | (138.9) | (104.4) | (104.4) |
| Interest paid | | (141.0) | (125.3) | (124.3) | (104.7) | (101.9) |
| Payment of debt acquisition costs | | (14.9) | (13.2) | (2.1) | (1.3) | (3.4) |
| Repayment of bank loans | | (16.2) | (974.3) | (1,923.4) | (965.9) | (958.9) |
| Proceeds from issuance Senior notes | | 775.0 | – | – | – | – |
| Cash used to repurchase of senior notes | | (764.3) | – | – | – | – |
| Proceeds from bank loans | | – | 963.3 | 1,914.6 | 958.5 | 1,103.7 |
| Payment of finance lease liabilities, net | | (13.6) | (8.3) | (6.9) | (5.3) | (8.0) |
| Purchase of non-controlling interest | | – | (2.6) | – | – | |
| **Net cash flows from financing activities** | | (469.8) | (299.5) | (281.0) | (223.1) | (72.9) |
| Net (decrease)/increase in cash and cash equivalents | | (133.9) | 72.6 | 26.9 | (32.7) | (57.0) |
| Cash and cash equivalents at start of year | | 280.9 | 147.0 | 219.6 | 219.6 | 246.5 |
| **Cash and cash equivalents at end of year** | | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |

**Notes to the Consolidated Historic Financial Information**

**1. Accounting Policies**

**Basis of Preparation**

Regal Entertainment Group (**Regal**) is the parent company of Regal Entertainment Holdings, Inc. (**REH**) which is the parent company of Regal Cinemas Corporation (**Regal Cinemas**) and its subsidiaries.

This consolidated historic financial information consolidates the financial information of Regal and its subsidiaries (together referred to in this Part X as the **Group**) and equity account the Group's interest in associates. The historical consolidated financial information has been prepared for inclusion in the combined Class 1 and prospectus dated 17 January 2018 relating to the proposed acquisition of Regal by Cineworld Group plc (**Cineworld**), part funded by way of a rights issue.

The consolidated historic financial information has been prepared and approved by the Cineworld Directors in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**). The accounting policies set out below have been applied consistently to all years presented in this consolidated historic financial information and are consistent with the accounting policies adopted by Cineworld in its latest annual report and financial statements and those to be adopted in preparing its financial statements for the year ending 31 December 2017. All information is presented in US dollars ($) unless otherwise stated.

The consolidated historical financial information has been prepared in line with IFRS and this represents the first time adoption of IFRS by the Group. The transition date to IFRS is 1 January 2014. As such the disclosure and accounting requirements of IFRS 1 have been applied to the historic financial information. Prior to this historic financial information the Group applied US Generally Accepted Accounting Practice (**US GAAP**) accounting standards in preparing its financial statements.

The following IFRS 1 exemptions have been applied in the preparation of the consolidated historic financial information:

- The requirements of IFRS 3 Business combinations have not been retrospectively applied prior to the date of transition to IFRS.
- In relation to leases, the determination of whether an arrangement contains a lease has been based on the facts and circumstances at the date of transition.

The reconciliations from previously reported US GAAP to IFRS and a summary of the adjustments required together with the opening IFRS Balance Sheet can be found in note 26.

Judgements made by the Cineworld Directors in the application of these accounting policies that have significant effect on the historical consolidated financial information and estimates with a significant risk of material adjustment in the next financial year are set out below.

**Measurement Convention**

The consolidated historic financial information is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the Statement of Other Comprehensive Income or as available for sale.

**Basis of Consolidation**

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries are included in the historical consolidated financial information from the date on which control commences until the date on which control ceases.

**Associates (Equity Accounted Investees)**

Associates are those entities over whose activities the Group has significant influence. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The historical consolidated financial information include the Group's share of the total recognised income and expense and equity movements of associates. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. For affiliates of which the Group owns less than 20 per cent., these are generally accounted for under the cost method, unless the Group is deemed to have the ability to exercise significant influence over the affiliate, in which case the investment would be accounted for under the equity method.

**Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Going concern**

The Cineworld Directors have assessed the expected performance and financial position of Regal, including the impact of its acquisition by Cineworld, and are satisfied that it will continue to be able to meet its financial obligations for the foreseeable future. As a result, this historic financial information has been prepared on a going concern basis.

**Use of non-GAAP Profit and Loss Measures**

The Cineworld Directors believe that along with operating profit, the following measure, provides additional guidance to the IFRS measures of the performance of the business during the financial year:

- Adjusted EBITDA

Adjusted EBITDA as reported in the Consolidated Statement of Profit and Loss is defined as Operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits. Adjusted EBITDA is considered an accurate and consistent measure of the Group's trading performance. Items adjusted to arrive at Adjusted EBITDA are considered to be primarily non-cash items or items outside the Group's ongoing trading activities.

The Cineworld Directors believe including cash distributions from associates is an appropriate reflection of the contribution that these investments make to the Group's operations and reflects the way these operations have been and will continue to be monitored. In particular as explained in Note 11 where an associate has made an excess distribution and Regal has no further obligations to the associate, the carrying value of the investment continues to be held at $nil. To maintain this position a range of items are either added or deducted in arriving at our share of the associates' profits which we do not consider best reflect the contribution these associates make to the Group and makes comparison of relative performance between periods less clear. The most significant such impact relates to NCM where when new common stock units are received as a result of additional cinemas being included in the ESA, deferred income is established with an immediate reduction in the Group's reported share of NCM's earnings. The extent of this impact reflects the extent to which the Group is increasing (or reducing) its interaction with NCM Inc rather than NCM's performance or the contribution it is making to Regal.

### Derivative Financial Instruments and Hedging

#### *Cash Flow Hedges and Interest Swap Policy*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Other Comprehensive Income except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged. If an interest rate swap does apply for hedge accounting, the effective portion of the change in value is recognised in the Statement of Comprehensive Income and the ineffective portion is recognised in the Statement of Profit of Loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Balance Sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the Balance Sheet date, being the present value of the quoted forward price.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Statement of Comprehensive Income.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the Statement of Other Comprehensive Income in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the statement of other comprehensive income immediately.

### Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, interest bearing borrowings, and trade and other payables.

### Trade and Other Receivables

Trade and other receivables are initially measured at fair value. Subsequently they are carried at amortised cost using the effective interest method less any impairment losses. A bad debt allowance for receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

### Trade and Other Payables

Trade and other payables are initially measured at fair value. They are subsequently carried at amortised cost using the effective interest method.

### Interest-Bearing Borrowings

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs. They are subsequently carried at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss over the period of the borrowings on an effective interest basis.

**Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

All other leases are operating leases and are not recognised in the Group's Balance Sheet.

Depreciation is charged to the Statement of Comprehensive Income to write assets down to their residual values on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 20-30 years |
| Equipment | 3-20 years |
| Leasehold improvements | Lesser of term of lease or asset life |
| Computer equipment | 3-5 years |

No depreciation is provided on land, assets held for sale or assets in the course of construction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**Business Combinations**

Business combinations are accounted for under the acquisition method. Goodwill is measured as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the Statement of Profit or Loss. Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with business combinations are expensed as incurred.

**Goodwill and Other Intangible Assets**

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested at least annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Balance Sheet date. Other intangible assets are amortised from the date they are available for use.

| | |
|---|---|
| Other intangibles | 5-10 years |
| Software | 3-5 years |

**Non-current Assets Held for Sale**

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to Statement of Profit or Loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

**Inventories**

Inventories, which primarily consists of concession items, are stated at the lower of cost and net realisable value. The cost of inventories is based on the First-In, First-Out (**FIFO**) principle. Cost comprises expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, and net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

**Impairment**

The carrying amounts of the Group's assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill assets that have an indefinite useful economic life, the recoverable amount is estimated at each Balance Sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other intangible assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

**Calculation of Recoverable Amount**

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Reversals of Impairment**

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment is reversed when there is an indication that the impairment loss may no longer exist as a result of a change in the estimates used to determine the recoverable amount, including a change in fair value less costs to sell. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Investments

Investments in non-consolidated subsidiaries are accounted for using primarily the equity method of accounting and recording the investments within "Other Non-Current Assets" and "Other Non-Current Liabilities" as applicable in its Consolidated Statement of Financial Position. Equity in earnings and losses of these entities are recorded in the Consolidated Statements of Profit or Loss. Investments in non-consolidated subsidiaries accounted for under the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be fully recoverable.

### Employee Benefits

***Defined Contribution Pension Plans***

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit or Loss as incurred.

### Share-Based Payment Transactions

The share-based compensation cost is measured at the grant date based on the estimated fair value of the award. The fair value of the share-based compensation granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where performance criteria do not meet the threshold for vesting.

### Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. They are then recognised in the Statement of Profit or Loss as other income on a systematic basis over the useful life of the asset to which they relate.

### Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### Revenue

Revenue represents the total amount receivable for goods sold, excluding sales related taxes and intra-Group transactions. All the Group's revenue is received from the sale of goods and services.

- Box office revenue is recognised on the date of the showing of the film it relates to.
- Retail revenue is recognised at point of sale.
- Advertising revenue is recognised over the period the advert is shown in cinemas. Payments received attributable to the marketing and advertising services provided by the Group under certain vendor programmes are generally recognised as revenue in the periods in which the advertising is displayed or when the related impressions are delivered. Such impressions are measured by the concession product sales volume, which is mutually agreed upon proxy of attendance and reflects the Group's marketing and advertising delivered to its vendors. In instances where the consideration received is in excess of fair value of advertising services provided, the excess is recorded as a reduction of concession costs.
- Other revenue is recognised in the period to which it relates.

A deferred revenue balance is maintained pertaining to amounts received for agreeing to the 2007 National CineMedia exhibitor services agreement (**ESA**) modification, amounts recorded in connection with the receipt of newly issued common units of National CineMedia pursuant to the provisions of the Common Unit Adjustment Agreement described in Note 11 and amounts received from the sale of bulk tickets and gift cards that have not been redeemed. Revenue associated with bulk tickets and gift cards is recognised when redeemed, or when the likelihood of redemption becomes remote. The determination of the likelihood of redemption is based on an analysis of actual historical redemption trends.

Given the nature of the Group's revenue streams recognition of revenue is not considered to be a significant judgement area.

**Other Income**

Other income represents rent receivable and profit on disposals of fixed assets. Rental income is recognised on a straight-line basis over the life of the lease.

**Expenses**

***Operating Lease Payments***

Payments made under operating leases are recognised in the Statement of Comprehensive Income. Lease incentives received are recognised in the Statement of Profit or Loss as an integral part of the total lease expense. Where the Group has operating leases that contain minimum guaranteed rental uplifts over the life of the lease, the guaranteed minimum lease payment is recognised on a straight-line basis over the lease term.

***Finance Lease Payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

***Net Financing Costs***

Net financing costs comprise interest payable, amortisation of financing costs, unwind of discount on property provisions, finance lease interest, net gain/loss on de-designation and ineffectiveness of interest rate swaps, interest receivable on funds invested, foreign exchange gains and losses and finance costs for defined benefit pension schemes.

**Sale and Leaseback**

Where the Group enters into a sale and leaseback transaction whereby the risks and rewards of ownership of the assets concerned have not been substantially transferred to the lessor, any excess of sales proceeds over the previous carrying amount are deferred and recognised in the Statement of Profit or Loss over the lease term. At the date of the transaction the assets and the associated finance lease liabilities on the Group's Balance Sheet are stated at the lower of fair value of the leased assets and the present value of the minimum lease payments.

Where the Group enters into a sale and leaseback transaction whereby the risks and rewards of ownership of the assets concerned have been substantially transferred to the lessor, any excess of sales proceeds over the previous carrying amount is recognised in the Statement of Profit or Loss on completion of the transaction, when the sale and subsequent lease back has been completed at fair value.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, or to the extent it relates to items recognised in other comprehensive income, in which case it is recognised in the Statement of Other Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the Balance Sheet method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the board of Cineworld Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**Significant Accounting Judgements and Estimates**

The preparation of historical consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Judgements**

The key judgements are:

**Business Combinations**

When the Group undertakes a business combination, there are specific judgments which need to be made in respect of the acquisition accounting. This includes determining the fair value of the acquired total net identifiable assets, with particular reference to intangible assets, property plant and equipment, acquired leases and any required provisions. Details of the acquisition undertaken by the Group during the reporting periods, including the specific judgements taken are set out in Note 15.

**Finance and Operating Leases**

To determine whether a lease entered into by the Group should be classified as a finance or operating lease an assessment has to be made to see whether the Group bears substantially all the risks and rewards of the asset associated with a lease. There are some instances within the Group where the lease arrangements can be up to 99 years in length and therefore a judgement has to be made as to whether the lease term is for the major part of the economic life of the asset where the asset is not transferred at the end of the lease. In addition for these leases, calculations have to be undertaken to ascertain whether at inception of the lease, the present value of the minimum lease payments represent substantially all of the fair value of the leased asset. Determining the present value of the lease payments and the fair value of the leased asset requires elements of estimation and judgement in respect of the forward looking discount rate and assessing if extension options are likely to be exercised in the lease contract.

The outcome of whether a lease is an operating or finance lease can have a material impact on the Group's Statement of Financial Position. The right of use asset and the finance lease liability on an individual lease could be a material asset based on a long lease and average annual rents.

In the majority of leases the determinations are straight forward and the material judgements only relate to relatively few lease arrangements. There is no intention to early adopt the new lease accounting standard, IFRS 16, "Leasing" which will be effective from 1 January 2019.

**Estimates**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In applying the Group's accounting policies described above the Cineworld Directors have identified that the following areas are the key estimates that have a significant impact on the amounts recognised in the historical consolidated financial information.

**Impairment of Goodwill**

The determination of whether goodwill is impaired is made at least on an annual basis. This requires an estimate of the value in use of the cash generating units to which the goodwill is allocated. To estimate the value in use, the expected future cash flows from the cash generating unit are estimated and discounted to their present value at a determined discount rate, which is appropriate for the territory where the goodwill is allocated to.

Forecasting expected cash flows, and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 10). Although the sensitivity analysis performed does not suggest any reasonable possible change in assumption would result in an impairment at the reporting dates, it may not anticipate significant one off events which could occur and therefore result in an impairment the following year.

**Impairment of Tangible Fixed Assets**

The determination of whether tangible fixed assets are impaired is made when indicators of impairments exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual cinema site level. Where individual sites cash flows are not considered independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single cash generating unit.

Estimating the value in use requires an estimate of the expected future cash flows from each cinema and discount these to their net present value at a determined discount rate which is appropriate for the territory where the assets are held.

The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Cineworld Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the cash generating units, and that the discount rate used is appropriate given the risks associated with the specific cash flows. A sensitivity analysis has been performed over the estimates (see Note 9).

**Onerous Leases**

Provision is made for onerous leases where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received from operating it. The unavoidable costs of the lease reflect the minimum net cost of exiting from the contract and are measured as the lower of the net cost of continuing to operate the lease and any penalties or other costs from exiting it early.

The calculation of the provision for an onerous lease requires certain assumptions about the future cash flows to be generated from that cinema site. It also requires a discount to these cash flows using an appropriate discount rate which is appropriate to the territory where the cinema is located. The resulting provision is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Cineworld Directors consider that the assumptions made represent their best estimate of the future cash flows to be generated by the cinema sites, and that the discount rate used is appropriate given the risks associated with these cash flows.

**New Standards and Interpretations**

The accounting policies adopted are consistent across each of the financial periods reported. The following standards, amendments and interpretations were adopted for the period ended 30 September 2017 and have not had a material impact on the historical consolidated financial information of the Group.

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

The Cineworld Directors are currently assessing the impact of the following standards and interpretations which have been issued but which are not effective for the reporting periods. These standards and interpretations have not been adopted early.

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contracts with Customers"
- IFRS 16, "Leasing"

The Cineworld Group will adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Cineworld Directors have assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on the Group's historical consolidated financial information.

The adoption of IFRS 15 will primarily impact accounting for loyalty gift cards and bulk tickets, including commissions paid to third parties, customer incentives, and amounts recorded as deferred revenue and the method of amortisation for the advanced payment received in connection with the 2007 National CineMedia ESA modification and subsequent receipts of common units of National CineMedia pursuant to the provisions of the Common Unit Adjustment Agreement. While it is not believed that the adoption of IFRS15 will have a material impact on the Cineworld Group's net income or cash flows from operations, it is expected that the standard will materially impact the timing and classification of revenues and related expenses in the following key areas:

First, the advanced payment received in connection with the 2007 National CineMedia ESA modification and subsequent receipts of common units of National CineMedia pursuant to the provisions of the Common Unit Adjustment Agreement, include a significant financing component and it is expected that as a result, advertising revenues will increase materially with a similar offsetting increase in non-cash interest expense beginning in fiscal year 2018. Currently, the consolidated historic financial information for the Group utilises the units of revenue method to amortise such amounts and will change its amortisation to a straight-line method under IFRS15. The Cineworld Group does not expect these changes to have a material impact on the Group's net income or cash flows from operations.

Second, with respect to the Group's gift card and bulk ticket programs, the adoption of IFRS15 is not expected to have a material impact on the annual revenue currently recognised from these programs, but it will change the method in which revenue is recognised from gift cards and bulk tickets. Revenue associated with gift cards and bulk tickets is currently recognised when redeemed, or when the likelihood of redemption becomes remote. Unredeemed gift cards and bulk tickets are currently recognised as revenue (known as "breakage" in the Group's industry) based on historical experience, when the likelihood of redemption is remote. Under IFRS15, it is expected that the Cineworld Group will recognise the Group's revenue from unredeemed gift cards and bulk tickets following the proportional method where revenue is recognised in proportion to the pattern of rights exercised by the customer when the Group expects to be entitled to breakage and that it is probable that a significant revenue reversal would not occur for any estimated breakage amounts. With respect to gift card commissions paid to third parties, the Cineworld Group expects to begin to amortise the Group's commission fees over the expected redemption period as opposed to current accounting where such gift card commissions are expensed as incurred. It is not expected that these changes will have a material impact on the net income or cash flows from operations.

Finally, with respect to other areas impacted such as the Group loyalty program and customer incentives, it is not expected that those accounting changes will have a material impact on the net income or cash flows from operations.

In respect of IFRS 9, it is not expected that IFRS 9 will have a material effect.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. The Cineworld Directors are evaluating the impact that IFRS16 will have on the Group's historical consolidated financial information and related disclosures and believes that the significance of its future minimum rental payments will result in a material increase in right of use assets and lease liabilities.

## 2. Operating Segments

It has been determined that the Group has one geographic and operational segment, being cinema operations in the United States of America. The results of the segment are reflected in the Statement of Profit or Loss and the Statement of Financial Position.

Below is split of revenue by product/service provided.

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Box office | 1,998.9 | 2,038.1 | 2,061.7 | 1,546.8 | 1,469.8 |
| Retail | 829.5 | 901.7 | 932.6 | 705.5 | 683.6 |
| Other | 157.9 | 183.6 | 199.0 | 129.2 | 145.5 |
| **Total revenue** | 2,986.3 | 3,123.4 | 3,193.3 | 2,381.5 | 2,298.9 |

## 3. Other Operating Income

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Rental income | 1.4 | 1.5 | 1.5 | 1.1 | 0.9 |
| **Total other operating income** | 1.4 | 1.5 | 1.5 | 1.1 | 0.9 |

## 4. Operating Profit

Included in operating profit for the year are the following:

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Depreciation (see Note 9) | 194.9 | 198.6 | 210.2 | 155.8 | 169.0 |
| Impairments (see Notes 9 and 10) | 7.1 | 10.2 | 13.9 | – | 25.9 |
| Amortisation of intangibles (see Note 10) | 3.3 | 5.7 | 6.2 | 4.6 | 6.8 |
| Onerous leases movements | 13.6 | (2.5) | (17.0) | (10.8) | (12.8) |
| Transaction and reorganisation costs | – | 5.8 | 2.9 | 1.5 | 1.3 |
| Hire of other assets – operating leases | 423.4 | 421.5 | 427.6 | 318.3 | 324.6 |

Onerous lease movements reflect changes in the level of provision as a result of changes in trading assumptions and the utilisation of the provision in each period. The provision booked and the amounts utilised each year are disclosed in note 19.

Transaction and reorganisation costs in the years ended 31 December 2015, 31 December 2016 and periods ended 30 September 2016 and 30 September 2017 relate to refinancing costs incurred in connection with the amendment of the Groups senior credit facility, as described in note 21.

The total remuneration of the Group auditor, KPMG LLP (US), and its affiliates for the services to the Group is analysed below:

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *Period ended 30 September 2016 $m (unaudited)* | *Period ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Auditor's remuneration: | | | | | |
| Group – audit | 1.2 | 1.1 | 1.1 | – | 1.6 |
| Amounts received by auditors and their associates in respect of: | | | | | |
| – All other services | – | – | 0.1 | 0.1 | – |

## 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.

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| **Earnings attributable to ordinary shareholders** | 102.7 | 165.2 | 181.6 | 129.4 | 98.0 |

| | *53 weeks ended 1 January 2015 m* | *12 months ended 31 December 2015 m* | *12 months ended 31 December 2016 m* | *9 months ended 30 September 2016 m (unaudited)* | *9 months ended 30 September 2017 m* |
|---|---|---|---|---|---|
| Weighted average number of shares in issue | 156.3 | 156.0 | 156.0 | 155.7 | 155.3 |
| Basic and adjusted earnings per share denominator | 156.3 | 156.0 | 156.0 | 155.7 | 155.3 |
| Dilutive options | 0.6 | 0.8 | 0.8 | 0.9 | 1.0 |
| Diluted earnings per share denominator | 157.0 | 156.8 | 156.8 | 156.6 | 156.3 |
| Shares in issue at year end | 156.2 | 156.5 | 156.8 | 156.5 | 156.8 |

| | *53 weeks ended 1 January 2015 cents* | *12 months ended 31 December 2015 cents* | *12 months ended 31 December 2016 cents* | *9 months ended 30 September 2016 cents (unaudited)* | *9 months ended 30 September 2017 cents* |
|---|---|---|---|---|---|
| Basic earnings per share | 65.7 | 105.9 | 116.4 | 83.1 | 63.1 |
| Diluted earnings per share | 65.4 | 105.4 | 115.8 | 82.7 | 62.7 |

## 6. Staff Numbers and Costs

The average number of persons employed by the Group (including Regal Directors) during the year, analysed by category, was as follows:

| | | | *Number of Staff* | | |
|---|---|---|---|---|---|
| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017* |
| Cinemas | 22,647 | 24,025 | 25,120 | 24,419 | 24,038 |
| Head office | 521 | 517 | 517 | 517 | 528 |
| | 23,168 | 24,542 | 25,637 | 24,936 | 24,566 |

Included in the average number of persons employed by the Group are part-time employees. No distinction is made between full-time and part-time employees in the analysis above.

The aggregate payroll costs of these persons were as follows:

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Wages and salaries | 339.1 | 353.9 | 371.4 | 277.2 | 283.7 |
| Social security costs | 20.5 | 21.5 | 22.4 | 16.8 | 17.6 |
| Other pension costs | 2.9 | 3.0 | 3.1 | 2.3 | 2.5 |
| Share-based payments | 9.5 | 8.3 | 8.8 | 6.6 | 6.9 |
| | 372.0 | 386.7 | 405.7 | 302.9 | 310.7 |

See note 24 for details of Regal Directors' remuneration.

**7. Finance Income and Expense**

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Interest income | 3.2 | 2.0 | 0.9 | 0.7 | 0.8 |
| Amounts reclassified from equity to profit or loss in respect settled of cash flow hedges | – | – | 0.1 | – | 0.3 |
| **Finance income** | 3.2 | 2.0 | 1.0 | 0.7 | 1.1 |
| Interest expense on bank loans and overdrafts | 118.0 | 118.2 | 116.5 | 87.7 | 85.2 |
| Amortisation of financing costs | 4.8 | 5.0 | 4.9 | 3.7 | 3.8 |
| Unwind of discount on onerous lease provision | 0.8 | 1.1 | 1.0 | 0.8 | 0.8 |
| Unwind of discount on finance lease liability | 6.3 | 7.0 | 7.0 | 5.2 | 4.8 |
| Debt extinguishment cost | 62.4 | – | – | – | – |
| Amounts reclassified from equity to profit or loss in respect settled of cash flow hedges | – | 0.7 | – | – | – |
| Other financial costs | 0.6 | 0.7 | 0.7 | 0.8 | 0.8 |
| **Finance expense** | 192.9 | 132.7 | 130.1 | 98.2 | 95.4 |
| **Net finance costs** | 189.7 | 130.7 | 129.1 | 97.5 | 94.3 |

***Recognised Within Other Comprehensive Income***

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Movement in fair value of interest rate swap | (2.1) | (4.3) | (2.3) | (2.5) | (0.1) |
| Amounts reclassified to net income from interest rate swaps | 3.2 | 4.5 | 3.6 | 2.9 | 1.4 |

## 8. Taxation

***Recognised in the Income Statement***

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| **Current tax expense** | | | | | |
| Current year | 65.6 | 112.4 | 110.2 | 85.3 | 60.6 |
| Adjustments in respect of prior years | 1.2 | (1.4) | (1.4) | – | 1.4 |
| **Total current tax expense** | 66.8 | 111.0 | 108.8 | 85.3 | 62.0 |
| **Deferred tax expense** | | | | | |
| Current year | 3.8 | (3.3) | 12.9 | 7.0 | 4.3 |
| Adjustments in respect of prior years | 0.1 | 0.1 | – | – | – |
| **Total tax charge in statement of profit or loss** | 70.7 | 107.8 | 121.7 | 92.3 | 66.3 |
| Effective tax rate | 40.9% | 39.5% | 40.1% | 41.6% | 40.4% |

*Reconciliation of Effective Tax Rate*

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| **Profit before tax** | 173.0 | 272.8 | 303.4 | 221.8 | 164.3 |
| Tax using the US federal and state corporation tax rate of 39.7% (for all reported periods) | 68.7 | 108.4 | 120.5 | 88.1 | 65.3 |
| Permanent differences | 0.8 | 0.7 | 2.6 | 4.2 | (0.4) |
| Adjustments in respect of prior years | 1.3 | (1.3) | (1.4) | – | 1.4 |
| Increase in unrecognised deferred tax assets | (0.1) | – | – | – | – |
| **Total tax charge in statement of profit or loss** | 70.7 | 107.8 | 121.7 | 92.3 | 66.3 |

***Factors that May Affect Future Tax Charges***

The Group has federal and state tax losses which are scheduled to expire at dates between 2018 and 2032.

The Group had unrecognised potential tax assets relating to the following temporary differences:

- Tax losses of $87.0 million as at 30 September 2016, 31 December 2016 and 30 September 2017
- Tax losses of $88.0 million as at 31 December 2015 and 1 January 2015.

It is not considered probable that future taxable profit will be available against which these deductible temporary differences can be utilised.

On 22 December 2017, a US Tax Bill was substantively enacted which reduces the US federal corporate income tax rate from 35 per cent. to 21 per cent. with effect from 1 January 2018. The Group's tax charge on future US profits will be reduced accordingly. For periods of account ending after substantive enactment, the Group's US deferred tax assets and liabilities will be calculated applying the reduced federal rate where temporary differences are expected to reverse on or after 1 January 2018. This Tax Bill does not impact on any of the information set out in this historical consolidated financial information.

## 9. Property, Plant and Equipment

| | *Land and buildings* *$m* | *Plant and machinery* *$m* | *Fixtures and fittings* *$m* | *Assets in the course of construction* *$m* | *Total* *$m* |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2014** | 2,143.9 | 351.3 | 511.5 | 6.5 | 3,013.2 |
| Additions | 80.9 | 27.9 | 22.1 | 26.3 | 157.2 |
| Disposals | (11.0) | (2.7) | (4.0) | (0.2) | (17.9) |
| Transfers | 9.5 | 5.9 | 12.1 | (27.5) | – |
| **Balance at 1 January 2015** | 2,223.3 | 382.4 | 541.7 | 5.1 | 3,152.5 |
| Additions | 109.9 | 10.2 | 43.0 | 18.6 | 181.7 |
| Disposals | (22.1) | (7.5) | (3.3) | (0.1) | (33.0) |
| Transfers | 2.0 | 1.3 | 2.3 | (5.6) | – |
| **Balance at 31 December 2015** | 2,313.1 | 386.4 | 583.7 | 18.0 | 3,301.2 |
| Additions | 151.9 | 11.1 | 57.7 | 5.3 | 226.0 |
| Disposals | (7.9) | (30.1) | (2.8) | (0.5) | (41.3) |
| Transfers | 1.8 | 0.3 | 0.7 | (2.8) | – |
| **Balance at 31 December 2016** | 2,458.9 | 367.7 | 639.3 | 20.0 | 3,485.9 |
| **Balance at 1 January 2016** | 2,313.1 | 386.4 | 583.7 | 18.0 | 3,301.2 |
| Additions | 105.3 | 8.0 | 43.8 | 0.6 | 157.7 |
| Disposals | (5.8) | (2.1) | (1.0) | (0.5) | (9.4) |
| Transfers | 1.8 | 0.3 | 0.7 | (2.8) | – |
| **Balance at 30 September 2016 (unaudited)** | 2,414.6 | 392.6 | 627.2 | 15.3 | 3,449.8 |
| **Balance at 1 January 2017** | 2,458.9 | 367.7 | 639.3 | 20.0 | 3,485.9 |
| Additions | 213.3 | 27.3 | 51.1 | 14.3 | 306.3 |
| Disposals | (21.0) | 0.6 | (5.3) | (0.7) | (26.4) |
| Transfers | 4.6 | 2.1 | 2.9 | (9.6) | – |
| **Balance at 30 September 2017 (unaudited)** | 2,655.8 | 397.7 | 688.4 | 24.0 | 3,765.8 |
| **Accumulated depreciation and impairment** | | | | | |
| **Balance at 1 January 2014** | 1,101.9 | 178.5 | 281.1 | – | 1,561.5 |
| Charge for the period | 109.1 | 52.1 | 33.7 | – | 194.9 |
| Disposals | (9.4) | (2.4) | (3.5) | – | (15.3) |
| Impairments | 4.7 | 0.4 | 2.0 | – | 7.1 |
| **Balance at 1 January 2015** | 1,206.3 | 228.6 | 313.3 | – | 1,748.2 |
| Charge for the period | 128.6 | 16.7 | 53.3 | – | 198.6 |
| Disposals | (12.1) | (5.9) | (2.5) | – | (20.5) |
| Impairments | 9.5 | 0.1 | 0.6 | – | 10.2 |

9. **Property, Plant and Equipment (continued)**

| | *Land and buildings US$m* | *Plant and machinery US$m* | *Fixtures and fittings US$m* | *Assets in the course of construction US$m* | *Total US$m* |
|---|---|---|---|---|---|
| **Balance at 31 December 2015** | 1,332.3 | 239.5 | 364.7 | – | 1,936.5 |
| Charge for the period | 144.1 | 6.9 | 59.2 | – | 210.2 |
| Disposals | (6.0) | (28.3) | (2.7) | – | (37.0) |
| Impairments | 7.9 | 1.2 | 3.1 | – | 12.2 |
| **Balance at 31 December 2016** | 1,478.3 | 219.3 | 424.3 | – | 2,121.9 |
| **Balance at 1 January 2016** | 1,332.3 | 239.5 | 364.7 | – | 1,936.5 |
| Charge for the period | 106.4 | 4.7 | 44.7 | – | 155.8 |
| Disposals | (3.5) | (2.0) | – | – | (5.5) |
| Impairments | (0.2) | – | – | – | – |
| **Balance at 30 September 2016** | 1,435.2 | 242.2 | 404.4 | – | 2,086.8 |
| **Balance at 1 January 2017** | 1,478.3 | 219.3 | 424.3 | – | 2,121.9 |
| Charge for the period | 122.6 | 13.7 | 32.7 | – | 169.0 |
| Disposals | (12.7) | (0.7) | (4.2) | – | (17.6) |
| Impairments | 13.1 | 2.1 | 3.4 | – | 18.6 |
| **Balance at 30 September 2017** | 1,601.3 | 234.4 | 456.2 | 0 | 2,291.9 |
| **Net book value** | | | | | |
| **At 1 January 2015** | 1,017.0 | 153.8 | 228.4 | 5.1 | 1,404.3 |
| **At 31 December 2015** | 980.8 | 146.9 | 219.0 | 18.0 | 1,364.7 |
| **At 31 December 2016** | 980.6 | 148.4 | 215.0 | 20.0 | 1,364.0 |
| **At 30 September 2016** | 979.2 | 150.4 | 217.8 | 15.3 | 1,362.7 |
| **At 30 September 2017** | 1,054.5 | 163.3 | 232.1 | 24.0 | 1,473.9 |

Land and buildings are made up of long and short leasehold properties (including leasehold improvements) and freehold properties.

The net book value of assets held under finance lease is

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| Opening net book value | 97.3 | 95.8 | 81.8 | 81.8 | 72.6 |
| Additions | 12.2 | 2.7 | 4.7 | 4.6 | 0.2 |
| Depreciation charge | (13.7) | (16.7) | (13.9) | (10.4) | (9.2) |
| **Closing net book value** | 95.8 | 81.8 | 72.6 | 76.0 | 63.6 |

The above assets held under finance leases all relate to cinema sites, are included within land and buildings.

Proceeds received in respect of tangible fixed asset disposals were as follows:

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| Proceeds | 1.7 | 12.0 | 1.4 | 1.3 | 13.1 |

***Impairment***

Whether tangible fixed assets are impaired is determined when indicators of impairment are identified or based on an annual impairment assessment. The annual assessment requires an estimate of the value in use of the cash generating units to which the tangible fixed assets are allocated, which is predominantly at the individual cinema site level. Where individual sites cash flows are not considered independent from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be combined into a single cash generating unit.

Estimating the value in use requires an estimate of the expected future cash flows from each CGU and discount these to their net present value at a pre-tax discount rate which is appropriate for the country where the assets are held. A table summarising the rates used, which are derived from externally benchmarked data, is set out below:

| | *1 January 2015 %* | *31 December 2015 %* | *31 December 2016 %* | *30 September 2016 %* | *30 September 2017 %* |
|---|---|---|---|---|---|
| Discount rate | 10.21 | 11.01 | 10.78 | 11.01 | 10.78 |

For established sites, expected future cash flows are based on current financial performance. Established sites are not assumed to have any growth or decline in performance. For new sites and some sites which have recently been the subject of capital investment, where flat or constant growth would not accurately reflect likely performance, detailed long term forecasts are prepared taking into account expected growth rates applicable to the specific CGU.

No Growth has been assumed in cashflow forecasts for mature sites, which is considered to reflect the long term outlook accurately. However, this does not reflect different expected growth profiles for new and refurbished sites where cashflows would not be expected to be consistent until maturity was reached. New sites and refurbished sites are reviewed specifically, considering the outcome of the impairment calculation together with knowledge of the specific conditions surrounding the sites and knowledge of the usual growth trajectory following a site opening or refurbishment.

Where the basic calculation indicates an impairment the conditions and plans for those specific sites are considered in further detail before it is concluded that an impairment will or will not be booked.

***Impairment Reversals***

A review of previously impaired cinema sites is undertaken annually, and sites with significant improvements in trading performance are reviewed using a test consistent with the previous impairment assessment. No sites were considered to require a reversal of impairment during the period.

***Sensitivity to Changes in Assumptions***

Impairment reviews are sensitive to changes in key assumptions. Sensitivity analysis has been performed on the established CGUs giving consideration to incremental changes in the key assumptions of expected future cashflows and discount rates in the current year, with all other market and performance conditions remaining unchanged.

The cashflow models used in assessing the carrying values of sites opened within the last two years and those sites which have received significant investment as part of refurbishment and development programs are based on specific assumptions made prior to opening in respect of the early growth phase of the sites. Therefore sensitivity analysis is not applied to these sites during this time.

The sensitivities applied reflect realistic scenarios which management believe would have the most significant impact on the cash flows described above.

Discount rates are largely derived from market data, and these rates are intended to be long term in nature so therefore should be reasonably stable in the short term. However, the models are sensitive to changes in these rates. Increases by a factor of 1%, and 2% have been applied in the sensitised scenarios on the basis they reflect the range of likely to maximum variances in rates applied.

Forecast cashflows have been reduced by 10%. This sensitivity reflects reductions in growth which would largely be driven by changes in admissions and ticket price. Given the short term admissions trends and ticket price inflation, sensitivities applied are believed to reflect a likely potential downside scenario.

When reviewing the outputs of the sensitivity analysis, particular focus is given to material amounts where headroom is more limited.

The impact on the total impairment charge of applying different assumptions to the growth discount rates used in the first two years and the discount rates and the level of cash flows forecast would be as follows:

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016* | *30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| 1 percentage point increase to the discount rates | 6.7 | 8.2 | 4.2 | 4.2 | 6.7 |
| 2 percentage point increase to the discount rates | 6.7 | 10.0 | 6.3 | 6.3 | 8.0 |
| 10% reduction in cashflows | 6.3 | 9.5 | 5.5 | 5.5 | 7.5 |

Unpredictable events including competitor actions could impact the trading performance at any individual cinema undermining the carrying value of its property, plant and equipment.

The largest carrying value for property, plant and equipment of any individual cinema within Regal's portfolio were as follows:

| *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016* | *30 September 2017* |
|---|---|---|---|---|
| *$m* | *$m* | *$m* | *$m* | *$m* |
| 26.0 | 24.5 | 23.0 | 23.0 | 40.2 |

## 10. Intangible Assets

| | *Goodwill* *$m* | *Software* *$m* | *Other* *$m* | *Total* *$m* |
|---|---|---|---|---|
| Cost | | | | |
| **Balance at 1 January 2014** | 320.4 | 54.0 | 3.1 | 377.5 |
| Additions | – | 7.6 | – | 7.6 |
| Disposals | – | (0.1) | – | (0.1) |
| **Balance at 1 January 2015** | 320.4 | 61.5 | 3.1 | 385.0 |
| Additions | 8.3 | 8.2 | – | 16.5 |
| Disposals | – | (0.1) | – | (0.1) |
| **Balance at 31 December 2015** | 328.7 | 69.6 | 3.1 | 401.4 |
| Additions | – | 2.8 | – | 2.8 |
| Disposals | – | (18.2) | – | (18.2) |
| **Balance at 31 December 2016** | 328.7 | 54.2 | 3.1 | 386.0 |
| **Balance at 31 December 2015** | 328.7 | 69.6 | 3.1 | 401.4 |
| Additions | – | 2.2 | – | 2.2 |
| Disposals | – | (0.1) | – | (0.1) |
| **Balance at 30 September 2016 (unaudited)** | 328.7 | 71.7 | 3.1 | 403.5 |
| **Balance at 31 December 2016** | 328.7 | 54.2 | 3.1 | 386.0 |
| Additions | 26.1 | 4.1 | 2.7 | 32.9 |
| Disposals | – | (2.2) | – | (2.2) |
| **Balance at 30 September 2017** | 354.8 | 56.1 | 5.8 | 416.7 |
| **Accumulated amortisation and impairment** | | | | |
| Balance at 1 January 2014 | – | 44.3 | 1.6 | 45.9 |
| Amortisation | – | 3.1 | 0.2 | 3.3 |
| Disposals | – | (0.1) | – | (0.1) |
| **Balance at 1 January 2015** | – | 47.3 | 1.8 | 49.1 |
| Amortisation | – | 5.3 | 0.4 | 5.7 |
| Disposals | – | (0.1) | – | (0.1) |
| **Balance at 31 December 2015** | – | 52.5 | 2.2 | 54.7 |
| Amortisation | – | 5.9 | 0.3 | 6.2 |
| Disposals | – | (18.2) | – | (18.2) |
| Impairments | 1.7 | – | – | 1.7 |
| **Balance at 31 December 2016** | 1.7 | 40.2 | 2.5 | 44.4 |
| **Balance at 31 December 2015** | – | 52.5 | 2.2 | 54.7 |
| Amortisation | – | 4.3 | 0.3 | 4.6 |
| Disposals | – | (0.1) | – | (0.1) |
| **Balance at 30 September 2016 (unaudited)** | – | 56.7 | 2.5 | 59.2 |
| **Balance at 31 December 2016** | 1.7 | 40.2 | 2.5 | 44.4 |
| Amortisation | – | 6.4 | 0.4 | 6.8 |
| Disposals | – | (2.2) | – | (2.2) |
| Impairments | 7.3 | – | – | 7.3 |
| **Balance at 30 September 2017** | 9.0 | 44.4 | 2.9 | 56.3 |

## 10. Intangible Assets (continued)

| | *Goodwill* | *Software* | *Other* | *Total* |
|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* |
| **Net book value** | | | | |
| **At 1 January 2015** | 320.4 | 14.2 | 1.3 | 335.9 |
| **At 31 December 2015** | 328.7 | 17.1 | 0.9 | 346.7 |
| **At 31 December 2016** | 327.0 | 14.0 | 0.6 | 341.6 |
| **At 30 September 2016 (unaudited)** | 328.7 | 15.0 | 0.6 | 344.3 |
| **At 30 September 2017** | 345.8 | 11.7 | 2.9 | 360.4 |

***Impairment Testing***

Each individual cinema, or collections of cinemas which are strategically or operationally co-dependant, are considered to be one CGU. However, for the purpose of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management.

The Group's CGU groups have been identified as the designated market areas in which the Group conducts its theatre operations. None of the CGU groups identified are individually significant in relation to the total carrying amount of goodwill.

The recoverable amount of designated market CGU groups has been determined based on a value in use calculation. The calculation uses long term cashflow projections based on recent financial performance, no growth assumptions are applied in extrapolating the cashflows for the CGUs.

The Group's annual goodwill impairment assessment for the year ended 31 December 2016 and the 9 months ended 30 September 2017 indicated that the carrying value of one of its reporting units exceeded its estimated value in use and as a result, a goodwill impairment charge of $1.7 million and $7.3 million respectively was recorded. The Group's annual goodwill impairment assessments for the years ended 31 December 2015 and 1 January 2015 indicated that the estimated value in use of each of the Group's reporting units exceeded their carrying value and therefore, goodwill was not deemed to be impaired.

The key assumptions used in the cash flow projections for the purpose of the impairment review are as follows:

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016* | *30 September 2017* |
|---|---|---|---|---|---|
| | *%* | *%* | *%* | *%* | *%* |
| Discount rate | 10.21 | 11.01 | 10.78 | 11.01 | 10.78 |

The last twelve months' cash flow was used as the basis of the future cash flow calculation.

The key assumptions in the goodwill impairment tests have been sensitised; a reduction of 10% in the forecast cash flows for each CGU or an increase in the discount rate applied to the cash flows of each CGU of 1 percentage point would not cause the carrying value to exceed its recoverable amount for any CGU in the year ended 31 December 2014, 31 December 2015, 31 December 2016 or the period ended 30 September 2016. For the period ended 30 September 2017 a reduction of 10% in the forecast cash flows for each CGU or an increase in the discount rate applied to the cash flows of each CGU of 1 percentage point would give rise to an impairment of $1.1 million.

Unpredictable events, including competitor actions, could impact the performance at any CGU Group undermining the carrying value of its Goodwill.

The largest carrying value of goodwill allocated to a CGU group within Regal's portfolio were as follows:

| *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m* | *30 September 2017 $m* |
|---|---|---|---|---|
| 27.9 | 30.6 | 30.6 | 30.6 | 30.6 |

***Amortisation Charge***

The amortisation of intangible assets is recognised in the following line items in the statement of profit or loss:

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Administrative expenses | 3.3 | 5.7 | 6.2 | 4.6 | 6.8 |

## 11. Investment in Equity Accounted Investees

The Group has the following investments in associates:

| | *Country of Incorporation* | *Class of shares held* | *Ownership 1 January 2015* | *Ownership 31 December 2015* | *Ownership 31 December 2016* | *Ownership 30 September 2016* | *Ownership 30 September 2017* |
|---|---|---|---|---|---|---|---|
| National CineMedia LLC | US | Ordinary | 20.1% | 19.5% | 19.7% | 19.7% | 17.9% |
| Digital Cinema Implementation Partners LLC | US | Ordinary | 46.7% | 46.7% | 46.7% | 46.7% | 46.7% |
| Open Road Films | US | Ordinary | 50.0% | 50.0% | 50.0% | 50.0% | – |
| AC JV LLC | US | Ordinary | 32.0% | 32.0% | 32.0% | 32.0% | 32.0% |
| Digital Cinema Distribution Coalition | US | Ordinary | 14.6% | 14.6% | 14.6% | 14.6% | 14.6% |

Breakdown of investments at each reporting period:

| | *Ownership 1 January 2015* | *Ownership 31 December 2015* | *Ownership 31 December 2016* | *Ownership 30 September 2016* | *Ownership 30 September 2017* |
|---|---|---|---|---|---|
| National CineMedia LLC | – | – | – | – | – |
| Digital Cinema Implementation Partners LLC | 126.3 | 160.7 | 193.2 | 191.6 | 217.5 |
| Other | 14.5 | 13.7 | 14.3 | 11.1 | 25.0 |
| **Total** | 140.8 | 174.4 | 207.5 | 202.7 | 242.5 |

***National CineMedia LLC***

The Group maintains an investment in National CineMedia LLC (**National CineMedia**). National CineMedia provides in-theatre advertising for its theatrical exhibition partners, which include the Group, AMC Entertainment, Inc. (**AMC**) and Cinemark Holdings, Inc. (**Cinemark**).

On 13 February 2007, National CineMedia, Inc. (**NCM, Inc.**), the sole manager of National CineMedia, completed an initial public offering (**IPO**) of its common stock. NCM Inc. held a 48.8% interest in National CineMedia at 30 September 2017.

As a result of the transactions associated with the IPO and receipt of proceeds in excess of the Group's investment balance (the "excess distribution"), the Group reduced its investment in National CineMedia to zero. The Group has not reduced the carrying value of its investment below this level as it has not guaranteed any obligations of National CineMedia nor is it committed to provide further financial support for National CineMedia. The Group will not recognise its share of any undistributed equity in the earnings of National CineMedia until National CineMedia's cumulative post-IPO net earnings, net of distributions received, exceeds the amount of the excess distribution. Until such time, a share of profits related to the Group's interest in National CineMedia will be recognised only to the extent that the Group receives cash distributions from National CineMedia (offset by any value ascribed to new shares received in the circumstances set out below).

In connection with the completion of the IPO, the Group and their theatrical exhibition partners amended and restated their exhibitor services agreements with National CineMedia in exchange for a significant portion of its pro rata share of the IPO proceeds. The modification extended the term of the exhibitor services agreement (**ESA**) to 30 years, provided National CineMedia with a 5-year right of first refusal beginning one year prior to the end of the term and changed the basis upon which Regal is paid by National CineMedia from a percentage of revenues associated with advertising contracts entered into by National CineMedia to a monthly theatre access fee. In addition, the Group receives mandatory quarterly distributions of any excess cash from National CineMedia. The modified ESA has, except with respect to certain limited services, a remaining term of approximately 20 years.

The amount the Group received for agreeing to the ESA modification was approximately $281.0 million, which represents the estimated fair value of the ESA modification payment. The fair value of the ESA payment was estimated based upon a valuation performed with the assistance of third party specialists. This amount has been recorded as deferred revenue and is being amortised to advertising revenue over the 30 year term of the ESA following the units of revenue method. Under the units of revenue method, amortisation for a period is calculated by computing a ratio of the proceeds received from the ESA modification payment to the total expected decrease in revenues due to entry into the new ESA over the 30 year term of the agreement and then applying that ratio to the current period's expected decrease in revenues due to entry into the new ESA.

Also in connection with the IPO, Regal and its theatrical exhibition partners entered into a Common Unit Adjustment Agreement with National CineMedia. Pursuant to the Group's Common Unit Adjustment Agreement, from time to time, common units of National CineMedia held by the joint venture partners will be adjusted up or down through a formula primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each joint venture partner. In the event that a common unit adjustment is determined to be a negative number, the joint venture partner shall cause, at its election, either (a) the transfer and surrender to National CineMedia a number of common units equal to all or part of such joint venture partner's common unit adjustment or (b) pay to National CineMedia, an amount equal to such joint venture partner's common unit adjustment calculated in accordance with the Common Unit Adjustment Agreement. If the Group elects to surrender common units as part of a negative common unit adjustment, the Group would record a reduction to deferred revenue at the then fair value of the common units surrendered.

Subsequent to the IPO the Group received from National CineMedia newly issued common units of National CineMedia as a result of the adjustment provisions of the Common Unit Adjustment Agreement. While the excess distribution has not been recouped in full, any additional common units received do not lead to an increase in the carrying value of Regal's interest in NCM Inc. but instead result in a reduction in the share of profits recognised below the cash distributions received. As at 30 September 2017 the unrecouped excess distribution stood at $93.2 million.

The NCM, Inc. IPO and related transactions have the effect of reducing the amounts NCM, Inc. would otherwise pay in the future to various tax authorities as a result of an increase in the Group's proportionate share of tax basis in NCM Inc.'s tangible and intangible assets. On the IPO date, NCM, Inc., the Group, AMC and Cinemark entered into a tax receivable agreement. Under the terms of this agreement, NCM, Inc. will make cash payments to the Group, AMC and Cinemark in amounts equal to 90% of NCM, Inc.'s actual tax benefit realised from the tax amortisation of the intangible assets described above. For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing NCM, Inc.'s actual income and franchise tax liability to the amount of such taxes that NCM, Inc. would have been required to pay had there been no increase in NCM Inc.'s proportionate share of tax basis in NCM's tangible and intangible assets and had the tax receivable agreement not been entered into. The tax receivable agreement shall generally apply to NCM, Inc.'s taxable years up to and including the 30th anniversary date of the NCM, Inc. IPO and related transactions.

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016 (unaudited)* | *30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Carrying value | – | – | – | – | – |

A reconciliation in the carrying value is summarised below:

| | *As of the period ended* | | | *For the period ended* | |
|---|---|---|---|---|---|
| | *Investment in NCM* | *Deferred Revenue* | *Cash Received* | *Earnings Recognised from NC* | *Other NCM Revenue* |
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| **Balance as of and for the period ended 26 December 2013** | – | (432.2) | 93.5 | (37.5) | (19.9) |
| Receipt of additional common units | 5.9 | (5.9) | – | – | – |
| Receipt of excess cash distributions | (27.1) | – | 27.1 | – | – |
| Receipt under tax receivable agreement | (12.0) | – | 12.0 | – | – |
| Revenues earned under ESA | – | – | 14.2 | – | (14.2) |
| Amortisation of deferred revenue | – | 9.6 | – | – | (9.6) |
| Equity income attributable to additional common units | 33.2 | – | – | (33.2) | – |
| **Balance as of and for the period ended 1 January 2015** | – | (428.5) | 53.3 | (33.2) | (23.8) |
| Receipt of additional common units | 9.0 | (9.0) | – | – | – |
| Receipt of excess cash distributions | (30.5) | – | 30.5 | – | – |
| Receipt under tax receivable agreement | (9.5) | – | 9.5 | – | – |
| Revenues earned under ESA | – | – | 16.7 | – | (16.7) |
| Amortisation of deferred revenue | – | 10.8 | – | – | (10.8) |
| Equity income attributable to additional common units | 31.0 | – | – | (31.0) | – |

| | As of the period ended | | | For the period ended | |
|---|---|---|---|---|---|
| | *Investment in NCM $m* | *Deferred Revenue $m* | *Cash Received $m* | *Earnings Recognised from NC $m* | *Other NCM Revenue $m* |
| **Balance as of and for the period ended 31 December 2015** | – | (426.7) | 56.7 | (31.0) | (27.5) |
| Receipt of additional common units | 9.9 | (9.9) | – | – | – |
| Receipt of excess cash distributions | (23.3) | – | 23.3 | – | – |
| Receipt under tax receivable agreement | (11.4) | – | 11.4 | – | – |
| Revenues earned under ESA | – | – | 16.7 | – | (16.7) |
| Amortisation of deferred revenue | – | 11.6 | – | – | (11.6) |
| Equity income attributable to additional common units | 24.8 | – | – | (24.8) | – |
| **Balance as of and for the period ended 31 December 2016** | – | (425.0) | 51.4 | (24.8) | (28.3) |

***Unaudited***

| | *Investment in NCM $m* | *Deferred Revenue $m* | *Cash Received $m* | *Earnings Recognised from NC $m* | *Other NCM Revenue $m* |
|---|---|---|---|---|---|
| **Balance as of 31 December 2015** | – | (426.7) | | | |
| Receipt of additional common units | 9.9 | (9.9) | | | |
| Receipt of excess cash distributions | (14.5) | – | 14.5 | – | – |
| Receipt under tax receivable agreement | (10.5) | – | 10.5 | – | – |
| Revenues earned under ESA | – | – | 12.5 | – | (12.5) |
| Amortisation of deferred revenue | – | 8.7 | – | – | (8.7) |
| Equity income attributable to additional common units | 15.1 | – | – | (15.1) | – |
| **Balance as of and for the period ended 30 September 2016** | – | (427.9) | 37.5 | (15.1) | (21.2) |

| | *As of the period ended* | | | *For the period ended* | |
|---|---|---|---|---|---|
| | *Investment in NCM $m* | *Deferred Revenue $m* | *Cash Received $m* | *Earnings Recognised from NC $m* | *Other NCM Revenue $m* |
| **Balance as of and for the period ended 31 December 2016** | – | (425.0) | – | – | – |
| Receipt of additional common units | 6.3 | (6.3) | – | – | – |
| Receipt of excess cash distributions | (19.9) | – | 19.9 | – | – |
| Receipt under tax receivable agreement | (7.6) | – | 7.6 | – | – |
| Revenues earned under ESA | – | – | 12.7 | – | (12.7) |
| Amortisation of deferred revenue | – | 9.6 | – | – | (9.6) |
| Equity income attributable to additional common units | 21.2 | – | – | (21.2) | – |
| **Balance as of and for the period ended 30 September 2017** | – | (421.7) | 40.2 | (14.0) | (22.3) |

The following table summarises the financial information of National CineMedia LLC as included in its own financial statements.

| | *28 September 2017 $m* | *29 September 2016 $m* | *29 December 2016 $m* | *31 December 2015 $m* | *1 January 2015 $m* |
|---|---|---|---|---|---|
| Current assets | 130.1 | 140.9 | 180.9 | 159.5 | 134.9 |
| Non-current assets | 776.9 | 617.6 | 607.6 | 612.5 | 546.2 |
| Current liabilities | (96.7) | 95.7 | (121.1) | (113.1) | (106.5) |
| Non-current liabilities | (910.8) | 911.9 | (924.3) | (925.4) | (892.0) |
| Net liabilities | (100.5) | (249.1) | (256.9) | (266.5) | (317.4) |
| Revenues | 285.4(1) | 305.1(1) | 447.6 | 446.5 | 394.0 |
| Operating profit | 83.7 | 100.7 | 173.0 | 140.5 | 159.2 |
| Interest | (38.8) | (51.0) | (63.5) | (52.9) | (62.1) |
| Profit before tax | 44.9 | 49.7 | 119.5 | 87.6 | 97.1 |
| Tax | (0.1) | (0.1) | (0.2) | (0.1) | (0.8) |
| Profit after tax | 44.8(1) | 49.6(1) | 109.3 | 87.5 | 96.3 |

(1) Based on unaudited consolidated statements of information for National CineMedia for the three quarters ended 28 September 2017 and 29 September 2016.

***Digital Cinema Implementation Partners (*****DCIP*****)***

The Group maintains an investment in **DCIP**, a Delaware limited liability company. DCIP is a joint venture company formed by Regal, AMC and Cinemark. DCIP funds the cost of digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including the Group. In addition to its U.S. digital deployment, DCIP actively manages the deployment of over 1,800 digital systems in Canada for Canadian Digital Cinema Partnership, a joint venture between Cineplex Inc. and Empire Theatres Limited.

Since the Group does not have a controlling financial interest in DCIP or any of its subsidiaries, it accounts for its investment in DCIP under the equity method of accounting.

| | *53 weeks ended 1 January 2015* | *12 months ended 31 December 2015* | *12 months ended 31 December 2016* | *9 months ended 30 September 2016 (unaudited)* | *9 months ended 30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Carrying value | 126.3 | 160.7 | 193.2 | 191.6 | 217.5 |

A reconciliation in the carrying value is summarised below:

| | *$m* |
|---|---|
| **Balance as of 26 December 2013** | 101.6 |
| Equity contributions | 3.6 |
| Share of profits of DCIP | 28.6 |
| Receipt of cash distributions | (6.3) |
| Change in fair value of equity method investee interest rate swap transactions | (1.2) |
| **Balance as of 1 January 2015** | 126.3 |
| Equity contributions | 0.4 |
| Share of profits of DCIP | 37.0 |
| Receipt of cash distributions | (2.0) |
| Change in fair value of equity method investee interest rate swap transactions | (1.0) |
| **Balance as of 31 December 2015** | 160.7 |
| Equity contributions | 0.5 |
| Share of profits of DCIP | 41.6 |
| Receipt of cash distributions | (9.7) |
| Change in fair value of equity method investee interest rate swap transactions | 0.1 |
| **Balance as of 31 December 2016** | 193.2 |
| **Balance as of 31 December 2015** | 160.7 |
| Equity contributions | – |
| Share of profits of DCIP | 31.2 |
| Receipt of cash distributions | – |
| Change in fair value of equity method investee interest rate swap transactions | (0.3) |
| **Balance as of 30 September 2016 (unaudited)** | 191.6 |
| **Balance as of 31 December 2016** | 193.2 |
| Equity contributions | 0.4 |
| Share of profits of DCIP | 32.2 |
| Receipt of cash distributions | (8.4) |
| Change in fair value of equity method investee interest rate swap transactions | 0.1 |
| **Balance as of 30 September 2017** | 217.5 |

The following table summarises the financial information of DCIP as included in its own financial statements.

| | *30 September 2017* | *30 September 2016* | *31 December 2016* | *31 December 2015* | *31 December 2014* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Current assets | 44.8 | 56.8 | 45.1 | 48.8 | 53.2 |
| Non-current assets | 793.5 | 884.6 | 858.6 | 952.2 | 1,044.4 |
| Current liabilities | (63.9) | (39.7) | (44.8) | (32.5) | (24.0) |
| Non-current liabilities | (324.4) | (504.6) | (461.5) | (638.9) | (821.3) |
| Net liabilities | 450.0 | 397.1 | 397.4 | 329.6 | 252.3 |
| Net revenues | 132.5 | 133.7 | 178.8 | 172.3 | 170.7 |
| Operating profit | 80.6 | 62.4 | 107.9 | 103.5 | 102..0 |
| Interest | (9.6) | (13.5) | (17.4) | (24.0) | (34.1) |
| Profit before tax | 69.8 | 68.0 | 89.5 | 79.6 | 61.8 |
| Tax | (0.3) | (0.3) | (0.3) | (0.3) | (0.5) |
| **Profit after tax** | 69.5 | 67.7 | 89.2 | 79.3 | 61.3 |

During the years ended 31 December 2016, 31 December 2015 and 1 January 2015, the Group incurred total rent expense of approximately $5.3 million, $5.4 million, and $7.7 million, respectively, and for the periods to 30 September 2017 and 30 September 2016, $4.0 million respectively associated with the leased digital projection systems. Such rent expense is presented as a component of "Administration Expenses" in the Group's consolidated statements of income.

***Open Road Films***

The Group maintained an investment in Open Road Films, a film distribution company jointly owned by the Group and AMC. The investment is accounted for using the equity method of accounting. The Group's cumulative cash investment in Open Road Films totalled $20.0 million as of 31 December 2015 and the Group could have invested an additional $10.0 million in this joint venture. As a result of cumulative losses recorded in Open Road Films, Regal's investment in Open Road Films was reduced to a minimum carrying value of $(10.0) million as of 27 March 2014. No additional losses of Open Road Films have been recognised since the Group did not guarantee the obligations of Open Road Films and otherwise did not commit to provide further financial support for Open Road Films above its initial $30.0 million commitment. Accordingly, equity method accounting for the investment in Open Road Films has discontinued as of 27 March 2014. The amount of excess losses incurred through 31 December 2015 continued to be in excess of the Group's initial $30.0 million commitment by approximately $19.9 million. The amount of losses incurred through 31 December 2016 continued to be in excess of the Group's initial $30.0 million commitment by approximately $49.1 million. During the year ended 31 December 2016, the Group effected equity contributions of $8.3 million in cash to Open Road Films, and as of 31 December 2016, the Group has funded a total of $28.3 million of its initial $30.0 million commitment. As a result of the equity contributions, the carrying value of the Group's investment in Open Road Films totalled approximately $(1.7) million as of 31 December 2016.

A reconciliation in the carrying value is summarised below:

| | *$m* |
|---|---|
| **Balance as of December 26 2013** | (7.1) |
| Share of loss attributable to Open Road Films | (2.9) |
| **Balance as of January 1 2015** | (10.0) |
| Share of loss attributable to Open Road Films | – |
| **Balance as of 31 December 2015** | (10.0) |
| Share of loss attributable to Open Road Films | – |
| Equity contributions | 8.3 |
| **Balance as of 31 December 2016** | (1.7) |

On August 4, 2017, the Group sold all of its 50 per cent. equity interest in Open Road Films to a third party for total proceeds of approximately $14.0 million. In accordance with the purchase agreement, approximately $3.7 million of the net proceeds received were in satisfaction of various receivables and other amounts due to the Group related to film marketing services provided to Open Road Films prior to the closing date. As a result of the sale, a gain of approximately $17.8 million was recorded, representing the difference between the net proceeds received of $10.3 million (after satisfaction of the above amounts due the Group) and the carrying amount of the Group's investment in Open Road Films (approximately $(7.5) million) as of the closing date. Also effective with closing, the Group and Open Road Films entered into a new marketing agreement with respect to films released by Open Road Films after the closing date.

***AC JV LLC***

The Group maintains an investment in AC JV, a Delaware limited liability company owned 32 per cent. by each of the Group, AMC and Cinemark and 4 per cent. by National CineMedia. AC JV acquired the Fathom Events business from National CineMedia on 26 December 2013. AC JV owns and manages the Fathom Events business, which markets and distributes live and pre-recorded entertainment programming to various theatre operators (including Regal, AMC and Cinemark) to provide additional programs to augment their feature film schedule and includes events such as live and pre-recorded concerts, opera and symphony, marketing events, theatrical premieres, Broadway plays, live sporting events and other special events.

In consideration for the sale, National CineMedia received a total of $25 million in promissory notes from the Group, Cinemark and AMC (one-third or approximately $8.3 million from each). The notes bear interest at 5.0 per cent. per annum. Interest and principal payments are due annually in six equal instalments commencing on the first anniversary of the closing. National CineMedia recorded a gain of approximately $25.4 million in connection with the sale. The Group's proportionate share of such gain (approximately $1.9 million) was excluded from equity earnings in National CineMedia and recorded as a reduction in the Group's investment in AC JV. The remaining outstanding balance of the note payable from the Group to National CineMedia as of 31 December 2016 was $4.2 million. Since the Group does not have a controlling financial interest in AC JV, its investment in AC JV is accounted for under the equity method of accounting.

A reconciliation in the carrying value is summarised below:

| | *$m* |
|---|---|
| **Balance as of 26 December 2013** | 6.7 |
| Share of profits attributable to AC JV, LLC | 1.4 |
| **Balance as of 1 January 2015** | 8.1 |
| Receipt of cash distributions | (1.6) |
| Share of profits attributable to AC JV, LLC | 1.0 |
| **Balance as of 31 December 2015** | 7.5 |
| Receipt of cash distributions | (1.6) |
| Share of profits attributable to AC JV, LLC | 0.6 |
| **Balance as of 31 December 2016** | 6.5 |
| **Balance as of 31 December 2015** | 7.5 |
| Equity contributions | 0.3 |
| **Balance as of 30 September 2016 (unaudited)** | 7.8 |
| **Balance as of 31 December 2016** | 6.5 |
| Share of profits of AC JV, LLC | 1.2 |
| **Balance as of 30 September 2017** | 7.7 |

***RealD Inc.***

The Group maintains an investment in RealD, Inc., an entity specialising in the licensing of 3D technologies. The investment in RealD, Inc. is accounted for as a marketable security. During the year ended 1 January

2015, the Group sold 0.5 million shares of RealD, Inc. In connection with the sale, the Group received approximately $6.0 million in aggregate net proceeds (after deducting related fees and expenses) and recorded a gain on sale of approximately $2.0 million. The carrying value of the Group's investment in RealD, Inc. as of 1 January 2015 was approximately $3.8 million. As of 31 December 2015, held 322,780 common shares in RealD, Inc. On 24 February 2016, RealD, Inc. stockholders approved an all-cash merger whereby Rizvi Traverse Management, LLC acquired RealD, Inc. for $11.00 per share. Under the terms of the merger agreement, RealD, Inc. shareholders received $11.00 in cash for each share of RealD, Inc.'s common stock. On 24 March 2016, the Group received approximately $3.6 million in cash consideration for its remaining 322,780 RealD, Inc. common shares. As a result of the transaction, a gain of approximately $1.0 million was recorded during 2016.

***Digital Cinema Distribution Coalition***

The Group is a party to a joint venture with certain exhibitors and distributors called Digital Cinema Distribution Coalition (**DCDC**). DCDC has established a satellite distribution network that distributes digital content to theatres via satellite. The Group's investment in DCDC is accounted for under the equity method. The carrying value of the Group's investment in DCDC was approximately $2.8 million, $2.9 million and $2.5 million as of 31 December 2016, 31 December 2015 and 1 January 2015, respectively. The carrying value of Regal's investment was approximately $3.5 million and $3.3 million as of 30 September 2017 and 30 September 2016 respectively.

***Atom Tickets LLC***

The Group maintains an investment in Atom Tickets, LLC (**Atom Tickets**), an internet ticketing partner of Regal that provides the Group patrons the ability to pre-purchase box office tickets and concession items via their mobile device. The Group's investment in Atom Tickets is accounted for under the cost method. The carrying value of Regal's investment in Atom Tickets was approximately $5.0 million and $0 as of 31 December 2016 and 30 September 2017 and 31 December 2015, respectively.

## 12. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

*Assets*

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016 (unaudited)* | *30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Property, plant and equipment | 29.2 | 45.7 | 60.0 | 57.9 | 34.1 |
| Intangible assets | – | – | – | – | – |
| Investments | – | – | – | – | – |
| Deferred revenue | 177.4 | 176.9 | 176.5 | 176.6 | 171.7 |
| Deferred rent | 55.4 | 64.5 | 86.6 | 81.1 | 111.1 |
| Onerous lease | 26.9 | 26.4 | 20.0 | 22.4 | 15.3 |
| Tax losses | 24.5 | 17.8 | 12.1 | 13.5 | 7.1 |
| Other | 4.5 | 6.3 | 3.7 | 4.3 | 1.5 |
| Tax assets/(liabilities) | 317.9 | 337.6 | 358.9 | 355.8 | 340.8 |
| Set off tax | (169.3) | (180.9) | (214.8) | (206.1) | (201.8) |
| **Net tax assets** | 148.6 | 156.7 | 144.1 | 149.7 | 139.0 |

*Liabilities*

| | 1 January 2015 | 31 December 2015 | 31 December 2016 | 30 September 2016 (unaudited) | 30 September 2017 |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Property, plant and equipment | – | – | – | – | – |
| Intangible assets[(1)] | (32.0) | (42.5) | (58.7) | (53.9) | (73.3) |
| Investments | (137.3) | (138.4) | (156.1) | (152.2) | (128.5) |
| Deferred revenue | – | – | – | – | – |
| Deferred rent | – | – | – | – | – |
| Onerous lease | – | – | – | – | – |
| Tax losses | – | – | – | – | – |
| Other | – | – | – | – | – |
| Tax assets/(liabilities) | (169.3) | (180.9) | (214.8) | (206.1) | (201.8) |
| Set off tax | 169.3 | 180.9 | 214.8 | 206.1 | 201.8 |
| **Net tax (liabilities)** | – | – | – | – | – |

*Net*

| | 1 January 2015 | 31 December 2015 | 31 December 2016 | 30 September 2016 (unaudited) | 30 September 2017 |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Property, plant and equipment | 29.2 | 45.7 | 60.0 | 57.9 | 34.1 |
| Intangible assets | (32.0) | (42.5) | (58.7) | (53.9) | (73.3) |
| Investments | (137.3) | (138.4) | (156.1) | (152.2) | (128.5) |
| Deferred revenue | 177.4 | 176.9 | 176.5 | 176.6 | 171.7 |
| Deferred rent | 55.4 | 64.5 | 86.6 | 81.1 | 111.1 |
| Onerous lease | 26.9 | 26.4 | 20.0 | 22.4 | 15.3 |
| Tax losses | 24.5 | 17.8 | 12.1 | 13.5 | 7.1 |
| Other | 4.5 | 6.3 | 3.7 | 4.3 | 1.5 |
| Tax assets/(liabilities) | 148.6 | 156.7 | 144.1 | 149.7 | 139.0 |
| Set off tax | – | – | – | – | – |
| Net tax assets/(liabilities) | 148.6 | 156.7 | 144.1 | 149.7 | 139.0 |

Notes:

(1) Deferred tax liabilities on intangible assets throughout the period shown includes $94.1 million relating to income on which no tax was payable recorded in 2001 and 2002 by subsidiaries on being granted relief from certain financial obligations. Circumstances in which a tax liability would crystallise include the liquidation or sale by the Group of the relevant subsidiaries as well as other situations. These deferred tax liabilities have been reduced in the table above by tax relief which will be received in future years in relation to intangible assets which have already been amortised.

See Note 8 for details of unrecognised tax assets.

Deferred taxation provided for in the historical consolidated financial information at the period end represents provision at federal and state tax rates on the above items.

A review of the deferred tax will be performed at each balance date and adjustments made in the event of a change in any key assumptions.

Deferred tax assets and liabilities are attributable to the following:

| | *1 January 2014 $m* | *Recognised in income $m* | *Recognised in equity $m* | *Forex $m* | *1 January 2015 $m* |
|---|---|---|---|---|---|
| Property, plant and equipment | 15.5 | 13.7 | – | – | 29.2 |
| Intangible assets | (18.5) | (13.5) | – | – | (32.0) |
| Investments | (132.8) | (4.5) | – | – | (137.3) |
| Deferred revenue | 175.0 | 2.4 | – | – | 177.4 |
| Deferred rent | 56.1 | (0.7) | – | – | 55.4 |
| Onerous lease | 21.1 | 5.8 | – | – | 26.9 |
| Tax losses | 32.2 | (7.7) | – | – | 24.5 |
| Other | 3.7 | 0.6 | 0.2 | – | 4.5 |
| **Tax assets** | 152.3 | (3.9) | 0.2 | – | 148.6 |

| | *1 January 2015 $m* | *Recognised in income $m* | *Recognised in equity $m* | *Forex $m* | *31 December 2015 $m* |
|---|---|---|---|---|---|
| Property, plant and equipment | 29.2 | 16.5 | – | – | 45.7 |
| Intangible assets | (32.0) | (10.5) | – | – | (42.5) |
| Investments | (137.3) | (1.1) | – | – | (138.4) |
| Deferred revenue | 177.4 | (0.5) | – | – | 176.9 |
| Deferred rent | 55.4 | 9.1 | – | – | 64.5 |
| Onerous lease | 26.9 | (0.5) | – | – | 26.4 |
| Tax losses | 24.5 | (6.7) | – | – | 17.8 |
| Other | 4.5 | (3.1) | 4.9 | – | 6.3 |
| Tax assets | 148.6 | 3.2 | 4.9 | – | 156.7 |

| | *1 January 2016 $m* | *Recognised in income $m* | *Recognised in equity $m* | *Forex $m* | *31 December 2016 $m* |
|---|---|---|---|---|---|
| Property, plant and equipment | 45.7 | 14.3 | – | – | 60.0 |
| Intangible assets | (42.5) | (16.2) | – | – | (58.7) |
| Investments | (138.4) | (17.7) | – | – | (156.1) |
| Deferred revenue | 176.9 | (0.4) | – | – | 176.5 |
| Deferred rent | 64.5 | 22.1 | – | – | 86.6 |
| Onerous lease | 26.4 | (6.2) | – | – | 20.2 |
| Tax losses | 17.8 | (5.7) | – | – | 12.1 |
| Other | 6.3 | (3.1) | 0.3 | – | 3.5 |
| Tax assets | 156.7 | (12.9) | 0.3 | – | 144.1 |

## 13. Inventories

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 (unaudited) $m* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| Goods for resale | 17.8 | 22.4 | 20.9 | 20.5 | 23.9 |

Goods for resale recognised in cost of sales in each of the years/periods amounted to, 2014: $144.0 million, 2015: $148.3 million, 2016: $152.1 million, 30 September 2016 (unaudited): $114.6 million and 30 September 2017: $112.9 million.

## 14. Trade and Other Receivables

***Current***

| | 1 January 2015 $m | 31 December 2015 $m | 31 December 2016 $m | 30 September 2016 $m (unaudited) | 30 September 2017 $m |
|---|---|---|---|---|---|
| Trade receivables | 115.2 | 138.0 | 136.8 | 31.1 | 44.9 |
| Other receivables | 16.6 | 12.7 | 14.5 | 11.7 | 29.3 |
| Prepayments and accrued income | 21.9 | 21.1 | 23.6 | 29.4 | 31.7 |
| Amounts due from related parties | 6.7 | 6.0 | 7.1 | 5.9 | 2.3 |
| | 160.4 | 177.8 | 182.0 | 78.1 | 108.2 |

***Non-current***

| | 1 January 2015 $m | 31 December 2015 $m | 31 December 2016 $m | 30 September 2016 $m (unaudited) | 30 September 2017 $m |
|---|---|---|---|---|---|
| Other property receivables | 64.5 | 57.0 | 52.2 | 53.2 | 50.2 |
| | 64.5 | 57.0 | 52.2 | 53.2 | 50.2 |

Other property receivables include the fair value asset of leases that have been acquired.

## 15. Business Combinations

***Georgia Theatres***

On 3 September 2015, the Group completed the acquisition of five theatres with 61 screens from entities affiliated with Georgia Theatre Company for an aggregate net cash purchase price of $9.2 million.

***Consideration transferred***

The total consideration equated to $9.2 million which was settled in cash.

***Identifiable Assets Acquired and Liabilities***

| | $m |
|---|---|
| **Fair value of total net identifiable assets upon acquisition** | |
| Property, plant and equipment: | 0.9 |
| **Total net identifiable assets** | 0.9 |
| Goodwill | 8.3 |
| **Consideration transferred** | 9.2 |

**The key judgments considered were as follows:**

There were no material differences noted between the book value and the fair value of the assets acquired.

***Identifiable Intangible Assets***

There were no identifiable intangible assets recognised on acquisition. The residual goodwill of $8.3 million is deemed to represent a number of factors including the strategic location of the sites acquired, the established benefit of an established site, the value the acquired sites can add to existing products as well as synergies expected to be realised post acquisition.

The acquisition contributed approximately $4.8 million of revenue for the period in the Consolidated Statement of Profit or Loss, and the net income contributed was immaterial.

***Santikos Theatres***

On 13 April 2017, the Group completed the acquisition of two theatres with 41 screens located in Houston, Texas from Santikos Theatres, Inc. for an aggregate net cash purchase price of $29.8 million. In addition, on April 18, 2017, the Group purchased a parcel of land located in Montgomery County, Texas from an entity affiliated with Santikos Theatres, Inc. for a net cash purchase price of approximately $7.3 million.

***Consideration transferred***

The total consideration equated to $37.1 million which was settled in cash.

***Identifiable Assets Acquired and Liabilities***

| | *$m* |
|---|---|
| **Fair value of total net identifiable assets upon acquisition** | |
| Property, plant and equipment | 20.0 |
| Working capital | (0.6) |
| Inventory | 0.2 |
| **Total net identifiable assets** | 19.6 |
| Goodwill | 17.5 |
| **Consideration transferred** | 37.1 |

**The key judgments considered were as follows:**

There were no material differences noted between the book value and the fair value of the assets acquired.

***Identifiable Intangible Assets***

There were no identifiable intangible assets recognised on acquisition. The residual goodwill of $17.5 million is deemed to represent a number of factors including the strategic location of the sites acquired, the established benefit of an established site, the value the acquired sites can add to existing products as well as synergies expected to be realised post acquisition.

***Warren Theatres***

On 18 May 2017, the Group completed the acquisition of seven theatres with 93 screens located in Kansas and Oklahoma from Warren Theatres for an aggregate net cash purchase price, before post-closing adjustments, of $134.5 million.

***Consideration transferred***

The total consideration equated to $134.5 million which was settled in cash.

***Identifiable Assets Acquired and Liabilities***

| | *$m* |
|---|---|
| **Fair value of total net identifiable assets upon acquisition** | |
| Property, plant and equipment | 124.6 |
| Intangibles | 2.7 |
| Working capital | (2.0) |
| Inventory | 0.6 |
| **Total net identifiable assets** | 125.9 |
| Goodwill | 8.6 |
| **Consideration transferred** | 134.5 |

**The Key Judgments considered were as follows:**

***Property and leases***

The fair value of property, plant and equipment acquired included an adjustment to the net book value of $41.6 million.

***Tax***

No income tax liability is recognised on acquisition as future tax charges are not expected to arise in respect of tax positions open at the date of acquisition.

***Identifiable Intangible Assets***

There were no identifiable intangible assets recognised on acquisition. The residual goodwill of $8.6 million is deemed to represent a number of factors including the strategic location of the sites acquired, the established benefit of an established site, the value the acquired sites can add to existing products as well as synergies expected to be realised post acquisition.

The two acquisitions contributed approximately $34.2 million of revenue for the period in the Consolidated Statement of Profit or Loss, and the net income contributed was immaterial. For the Santikos and the Warren acquisitions, acquisition related costs of $1.7 million were charged to administrative expenses in the Consolidated Statement of Profit or Loss for the period ended 30 September 2017.

## 16. Interest-Bearing Loans and Borrowings and Other Financial Liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016* | *30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m (unaudited)* | *$m* |
| **Non-current liabilities** | | | | | |
| Interest rate swaps | 0.1 | 1.9 | 0.7 | 1.7 | – |
| Unsecured bank loan, less issue costs of debt to be amortised | 952.9 | 938.1 | 936.2 | 935.2 | 1,079.1 |
| Senior notes, less issue costs of debt to be amortised | 1,252.4 | 1,255.3 | 1,258.1 | 1,257.3 | 1,260.4 |
| Liabilities under finance leases | 94.8 | 86.7 | 91.7 | 95.5 | 84.7 |
| | 2,300.2 | 2,282.0 | 2,286.7 | 2,289.7 | 2,424.2 |
| **Current liabilities** | | | | | |
| Interest rate swaps | – | – | – | – | – |
| Liabilities under finance leases | 12.8 | 13.8 | 14.6 | 14.2 | 14.3 |
| Unsecured bank loans, less issue costs of debt to be amortised | 12.4 | 12.2 | 9.6 | 9.6 | 11.0 |
| | 25.2 | 26.0 | 24.2 | 23.8 | 25.3 |

The terms and conditions of outstanding loans were as follows:

| | Currency | Nominal interest rate | Year of maturity | 1 January 2015 Face value $m | 1 January 2015 Carrying amount $m | 31 December 2015 Face value $m | 31 December 2015 Carrying amount $m | 31 December 2016 Face value $m | 31 December 2016 Carrying amount $m | 30 September 2016 (unaudited) Face value $m | 30 September 2016 (unaudited) Carrying amount $m | 30 September 2017 Face value $m | 30 September 2017 Carrying amount $m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Unsecured bank loan–1 | USD | 3.27% | 2022 | 965.8 | 965.3 | 958.8 | 950.3 | 954.7 | 945.8 | 954.4 | 944.8 | 1,099.9 | 1,090.2 |
| Senior note–1 | USD | 5.75% | 2022 | 775.0 | 761.5 | 775.0 | 763.5 | 775.0 | 765.3 | 775.0 | 764.8 | 775.0 | 766.7 |
| Senior note–2 | USD | 5.75% | 2023 | 250.0 | 245.4 | 250.0 | 245.8 | 250.0 | 246.3 | 250.0 | 246.2 | 250.0 | 246.6 |
| Senior note–3 | USD | 5.75% | 2025 | 250.0 | 245.4 | 250.0 | 246.0 | 250.0 | 246.5 | 250.0 | 246.4 | 250.0 | 246.9 |
| Finance lease liabilities | USD | 11.14% | 2021 | 107.6 | 107.6 | 100.5 | 100.5 | 106.3 | 106.3 | 109.6 | 109.6 | 99.0 | 99.0 |
| **Total interest bearing liabilities** | | | | 2,348.4 | 2,325.3 | 2,334.3 | 2,306.1 | 2,336.0 | 2,310.2 | 2,339.0 | 2,311.8 | 2,473.9 | 2,449.5 |

See Note 21 for bank loan maturity analysis.

***Finance Lease Liabilities***

The maturity of obligations under finance leases is as follows:

| | 1 January 2015 $m | 31 December 2015 $m | 31 December 2016 $m | 30 September 2016 (unaudited) $m | 30 September 2017 $m |
|---|---|---|---|---|---|
| Within one year | 24.1 | 24.3 | 24.9 | 24.5 | 23.8 |
| Between one and two years | 23.8 | 24.1 | 22.8 | 23.1 | 22.4 |
| In the second to fifth years | 65.3 | 55.5 | 47.8 | 49.2 | 39.9 |
| Over five years | 47.9 | 44.8 | 63.9 | 64.6 | 62.8 |
| | 161.1 | 148.7 | 159.4 | 161.4 | 148.9 |
| Less future finance charges | (53.5) | (48.2) | (53.1) | (51.8) | (49.9) |
| | 107.6 | 100.5 | 106.3 | 109.6 | 99.0 |

***Analysis of Net Debt***

| | Cash at bank and in hand $m | Senior notes $m | Bank loans $m | Finance leases $m | Interest rate swap $m | Net debt $m |
|---|---|---|---|---|---|---|
| **At 1 January 2014** | 280.9 | (1,261.3) | (978.3) | (106.9) | (1.6) | (2,067.2) |
| Cash flows | (133.9) | 14.9 | 12.6 | 25.5 | – | (78.5) |
| Non-cash movement | – | (6.0) | (0.4) | (26.2) | 1.5 | (32.7) |
| **At 1 January 2015** | 147.0 | (1,252.4) | (965.3) | (107.6) | (0.1) | (2,178.4) |
| Cash flows | 72.5 | – | 7.3 | 24.3 | – | 104.1 |
| Non-cash movement | – | (2.9) | 7.7 | (17.2) | (1.8) | (14.2) |
| **At 31 December 2015** | 219.6 | (1,255.3) | (950.3) | (100.5) | (1.9) | (2,088.4) |
| Cash flows | 26.9 | – | 4.1 | 24.8 | – | 55.8 |
| Non-cash movement | – | (2.8) | 0.4 | (30.6) | 1.2 | (31.8) |
| **At 31 December 2016** | 246.5 | (1,258.1) | (945.8) | (106.3) | (0.7) | (2,064.4) |

| | Cash at bank and in hand $m | Senior notes $m | Bank loans $m | Finance leases $m | Interest rate swap $m | Net debt $m |
|---|---|---|---|---|---|---|
| **At 1 January 2016** | 219.6 | (1,255.3) | (950.3) | (100.5) | (1.9) | (2,088.4) |
| Cash flows | (32.7) | – | 4.4 | 18.3 | – | (12.0) |
| Non-cash movement | – | (2.0) | 1.1 | (27.5) | 0.2 | (26.2) |
| **At 30 September 2016** | 186.9 | (1,257.3) | (944.8) | (109.7) | (1.7) | (2,126.6) |
| **At 1 January 2017** | 246.5 | (1,258.1) | (945.8) | (106.3) | (0.7) | (2,064.4) |
| Cash flows | (57.0) | – | (144.9) | 18.6 | – | (183.3) |
| Non-cash movement | – | (2.3) | 0.6 | (11.3) | 1.6 | (11.4) |
| **At 30 September 2017** | 189.5 | (1,260.4) | (1,090.1) | (99.0) | 0.9 | (2,259.1) |

The non-cash movements relating to bank loans and senior notes represent the amortisation of debt issuance costs.

## 17. Trade and Other Payables

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m (unaudited)* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Trade payables | 163.1 | 226.0 | 191.0 | 98.7 | 117.5 |
| Other payables | 61.2 | 64.7 | 63.4 | 50.3 | 55.8 |
| Accruals | 38.3 | 33.1 | 38.5 | 45.3 | 37.4 |
| Deferred income | 188.1 | 203.4 | 192.7 | 156.9 | 150.2 |
| Amounts owed to related parties | 2.1 | 1.9 | 3.0 | 2.4 | 4.2 |
| | 452.8 | 529.1 | 488.6 | 353.6 | 365.1 |
| **Non-current** | | | | | |
| Accruals | 158.6 | 177.1 | 223.8 | 204.7 | 261.7 |
| Deferred income | 418.0 | 415.2 | 412.1 | 415.5 | 408.1 |
| Government grants | – | – | 0.6 | 0.5 | 3.0 |
| Amounts owed to related parties | 5.6 | 4.2 | 2.8 | 4.2 | 2.8 |
| | 582.2 | 596.5 | 639.3 | 624.9 | 675.6 |

Non-current accruals and deferred income include reverse-lease premiums and an accrual for straight-lining operating leases.

## 18. Employee Benefits

***Defined Contribution Pension Plans***

The Group operates an employee benefit plan, the Regal Entertainment Group 401(k) Plan (**401k Plan**) under section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of substantially all employees. The 401k Plan provides that participants may contribute up to 50 per cent. of their compensation, subject to Internal Revenue Service limitations. The 401k Plan currently matches an amount equal to 100 per cent. of the first 3 per cent. of the participant's contributions and 50 per cent. of the next 2 per cent. of the participant's contributions. Employee contributions are invested in various investment funds based upon elections made by the employee.

The total expense relating to these plans in each reporting period was as follows:

- Year ending 1 January 2015 – \$3.3m
- Year ending 31 December 2015 – \$3.3m
- Year ending December 2016 – \$3.4m
- Period ending September 2017 – \$2.5m
- Period ending September 2016 – \$2.4m

There was \$nil accruing to these pension schemes as at each of the reporting periods.

***Union-Sponsored Plans***

As of 31 December 2016, certain former theatre employees were covered by five insignificant union-sponsored multiemployer pension and health and welfare plans. Group contributions into those plans were determined in accordance with provisions of negotiated labour contracts and aggregated approximately \$0.1 million for each of the years ended 1 January 2015, 31 December 2015 and 31 December 2016. During fiscal 2013, the Group received a notice of a written demand for payment of a complete withdrawal liability assessment from a collectively bargained multiemployer pension plan, Local 160, Greater Cleveland Moving Picture Projector Operator's Pension Plan (**Local 160**) (Employment Identification No. 51-6115679), that covered certain of its unionised theatre employees. The Group made a complete withdrawal from Local 160 during fiscal 2012. The Group has established an estimated withdrawal liability of approximately \$0.6 million related to its remaining plans, including Local 160, as of 31 December 2016.

***Share-Based Payments***

In 2002, the Group established the Regal Entertainment Group Stock Incentive Plan (**Incentive Plan**), which provides for the granting of incentive stock options and non-qualified stock options to officers, employees and consultants of the Group. As described below under "Restricted Stock" and "Performance Share Units," the Incentive Plan also provides for grants of restricted stock and performance shares that are subject to restrictions and risks of forfeiture.

On 9 May 2012, the stockholders of Regal approved amendments to the Incentive Plan increasing the number of Class A common stock authorised for issuance under the Incentive Plan by a total of 5,000,000 shares and extending the term of the Plan to 9 May 2022. At each of the following reporting periods the number of shares which remain available is as follows:

- 1 January 2015 – 4,620,331
- 31 December 2015 – 4,338,685
- 31 December 2016 – 4,003,781
- 30 September 2016 – 4,001,045
- 30 September 2017 – 3,776,946

***Stock options***

There were no options to purchase shares of Class A common stock outstanding under the Incentive Plan for each of the reporting periods presented and no compensation expense related to stock options was recorded during such periods.

***Restricted stock***

The Incentive Plan also provides for restricted stock awards to officers, directors and key employees. Under the Incentive Plan, shares of Class A common stock of Regal may be granted at nominal cost to officers, directors and key employees, subject to a continued employment/service restriction. The restriction is fulfilled upon continued employment or service (in the case of directors) for a specified number of years (typically one to four years after the award date) and as such restrictions lapse, the award immediately vests. In addition, the Group will receive a tax deduction when restricted stock vests. The Incentive Plan participants are entitled to cash dividends and to vote their respective shares, although the sale and transfer of such shares is prohibited during the restricted period. The shares are also subject to the terms and conditions of the Incentive Plan.

The restricted shares which were granted during the reporting periods presented under the Incentive Plan were at nominal cost to officers, directors and key employees. These awards vest 25 per cent. at the end of each year for 4 years (in the case of officers and key employees) and vest 100 per cent. at the end of one year (in the case of directors). The closing price of Regal's Class A common stock was $19.08 on 8 January 2014, $20.99 on 28 January 2015, and $17.74 per share on 13 January 2016. Regal assumed forfeiture rates ranging from 4 per cent. to 6 per cent. for such restricted stock awards.

A reconciliation of restricted stock movements is shown below:

| | *Number of options 2016 Equity-settled '000* | *Number of options 2015 Equity-Settled '000* | *Number of options 2014 restricted stock '000* |
|---|---|---|---|
| Outstanding at the beginning of the year | 774 | 886 | 927 |
| Exercised in shares during the year | (520) | (596) | (576) |
| Granted during the year | 261 | 228 | 227 |
| Lapsed during the year | (11) | (50) | (23) |
| Conversion of performance shares during the year | 262 | 306 | 331 |
| **Outstanding at the end of the year** | 766 | 774 | 886 |

During the years ended 31 December 2016, 31 December 2015 and 1 January 2015, the Group withheld approximately 177,769 shares, 204,540 shares and 194,675 shares, respectively, of restricted stock at an aggregate cost of approximately $3.2 million, $4.3 million and $3.8 million, respectively, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of restricted stock awards.

On 12 January 2014, 330,750 performance share awards (originally granted on 12 January 2011) were effectively converted to shares of restricted common stock. As of the calculation date, which was 12 January 2014, threshold performance goals for these awards were satisfied, and therefore, all 330,750 outstanding performance shares were converted to restricted shares as of 12 January 2014. These awards fully vested on 12 January 2015, the one year anniversary of the calculation date. In addition, on 13 January 2013, 273,719 performance share awards (originally granted on 13 January 2010) were effectively converted to shares of restricted common stock. As of the calculation date, which was 13 January 2013, threshold performance goals for these awards were satisfied, and therefore, all 273,719 outstanding performance shares were converted to restricted shares as of 13 January 2013. These awards fully vested on 13 January 2014, the one year anniversary of the calculation date. Finally, on 14 January 2012, 360,489 performance share awards (originally granted on 14 January 2009) were effectively converted to shares of restricted common stock. As of the calculation date, which was 14 January 2012, threshold performance goals for these awards were satisfied, and therefore, all 360,489 outstanding performance shares were converted to restricted shares as of 14 January 2012. These awards fully vested on14 January 2013, the one year anniversary of the calculation date.

On 11 January 2015,306,696 performance shares (originally granted on 11 January 2012) were effectively converted to shares of restricted common stock. As of the calculation date, which was 11 January 2015, threshold performance goals for these awards were satisfied, and therefore, all 306,696 outstanding performance shares were converted to restricted shares as of 11 January 2015. These awards fully vested on 11 January 2016, the one year anniversary of the calculation date. In addition, on 12 January 2014, 330,750 performance share awards (originally granted on 12 January 2011) were effectively converted to shares of restricted common stock. These awards fully vested on 12 January 2015. Finally, on 13 January 2013, 273,719 performance share awards (originally granted on 13 January 2010) were effectively converted to shares of restricted common stock. These awards fully vested on 13 January 2014.

On 9 January 2016, 262,476 performance shares (originally granted on 9 January 2013) were effectively converted to shares of restricted common stock. As of the calculation date, which was 9 January 2016, threshold performance goals for these awards were satisfied, and therefore, all 262,476 outstanding performance shares were converted to restricted shares as of 9 January 2016. These awards fully vested on 9 January 2017, the one year anniversary of the calculation date. In addition, on 11 January 2015, 306,696 performance shares (originally granted on 11 January 2012) were effectively converted to shares of restricted common stock. These awards fully vested on 11 January 2016, the one year anniversary of the calculation date. Finally, on 12 January 2014, 330,750 performance share awards (originally granted on 12 January 2011) were effectively converted to shares of restricted common stock. These awards fully vested on 12 January 2015.

During the years ended 31 December 2016, 31 December 2015 and 1 January 2015, approximately $4.1 million, $4.0 million and $4.0 million, respectively, of share-based compensation expense related to restricted share grants was recognised. Such expense is presented as a component of "Operating expenses." The compensation expense for these awards was determined based on the market price of the Group's stock at the date of grant applied to the total numbers of shares that were anticipated to fully vest. As of 31 December 2016 the Group have unrecognised compensation expense of $4.2 million associated with restricted stock awards, which is expected to be recognised through 13 January 2020.

***Performance share units***

The Incentive Plan also provides for grants in the form of performance share units to officers, directors and key employees. Performance share agreements are entered into between the Group and each grantee of performance share units. In 2009, the Group adopted an amended and restated form of performance share agreement (each, a **Performance Agreement** and collectively, the **Performance Agreements**). Pursuant to the terms and conditions of the Performance Agreements, grantees will be issued shares of restricted common stock of the Group in an amount determined by the attainment of Regal Group performance criteria set forth in each Performance Agreement. The shares of restricted common stock received upon attainment of the performance criteria will be subject to further vesting over a period of time, provided the grantee remains a service provider to the Group during such period. Under the Performance Agreement each performance share represents the right to receive from 0 per cent. to 150 per cent. of the target numbers of shares of restricted Class A common stock.

The number of shares of restricted common stock earned will be determined based on the attainment of specified performance goals by 8 January 2017 (the third anniversary of the grant date for the 8 January 2014 grant), 28 January 2018 (the third anniversary of the grant date for the 28 January 2015 grant), and 13 January 2019 (the third anniversary of the grant date for the 13 January 2016 grant), as set forth in the applicable Performance Agreement. Such performance shares vest on the fourth anniversary of their respective grant dates. The shares are subject to the terms and conditions of the Incentive Plan. The closing price of the Group's Class A common stock on the date of grant was $19.08 on 8 January 2014, $20.99 on 28 January 2015, and $17.74 on 13 January 2016, which approximates the respective grant date fair value of the awards. Forfeiture rates ranging from 8 per cent. to 9 per cent. were assumed for such performance share awards.

As of the respective grant dates, the aggregate grant date fair value of performance share awards outstanding as of 31 December 2016 was determined to be $15.2 million, which includes related dividends on shares estimated to be earned and paid on the third anniversary of the respective grant dates. The fair value of the performance share awards are amortised as compensation expense over the expected term of the awards of four years. During the years ended 31 December 2016, 31 December 2015 and 1 January 2015, approximately $4.7 million, $4.3 million and $5.4 million, respectively, of share-based compensation expense related to performance share grants was recognised. Such expense is presented as a component of "Operating expenses." As of 31 December 2016, the Group has unrecognised compensation expense of $6.2 million associated with performance share units, which is expected to be recognised through 13 January 2020.

A reconciliation of performance share units is shown below:

| | *Number of options 2016 restricted stock '000* | *Number of options 2015 restricted stock '000* | *Number of options 2014 restricted stock '000* |
|---|---|---|---|
| Outstanding at the beginning of the year | 697 | 813 | 941 |
| Granted during the year | 280 | 234 | 226 |
| Lapsed during the year | (16) | (44) | (23) |
| Conversion to restricted shares during the year | (262) | (306) | (331) |
| **Outstanding at the end of the year** | 699 | 697 | 813 |

In connection with the conversion of the above 262,476 performance shares, during the year ended 31 December 2016, the Group paid cumulative cash dividends of $3.60 (representing the sum of all cash dividends paid from 9 January 2013 through 9 January 2016) on each performance share converted, totalling approximately $0.9 million. In connection with the conversion of the above 306,696 performance shares, during the year ended 31 December 2015, the Group paid cumulative cash dividends of $4.56 (representing the sum of all cash dividends paid from 11 January 2012 through 11 January 2015) and $4.58 (representing the sum of all cash dividends paid from 25 June 2012 through 25 June 2015) on each performance share converted, totalling approximately $1.4 million In connection with the conversion of the above 330,750 performance shares, during the year ended 1 January 2015, the Group paid cumulative cash dividends totalling approximately $1.2 million. The above table does not reflect the maximum or minimum number of shares of restricted stock contingently issuable. An additional 0.3 million shares of restricted stock could be issued if the performance criteria maximums are met.

## 19. Provisions

| | *Property provisions $m* | *Other provisions $m* | *Total provisions $m* |
|---|---|---|---|
| **Balance at 1 January 2014** | 92.8 | 3.5 | 96.3 |
| Current | 13.3 | – | 13.3 |
| Non-current | 79.5 | 3.5 | 83.0 |
| Provisions made | 24.3 | 0.3 | 24.6 |
| Provisions released during the year | – | – | – |
| Utilised during the year | (14.2) | – | (14.2) |
| Unwound against interest during the year | 0.9 | – | 0.9 |
| **Balance at 1 January 2015** | 103.8 | 3.8 | 107.6 |
| Current | 16.1 | – | 16.1 |
| Non-current | 87.7 | 3.8 | 91.5 |
| Provisions made | 11.1 | 0.8 | 11.9 |
| Provisions released during the year | – | – | – |
| Utilised during the year | (17.1) | – | (17.1) |
| Unwound against interest during the year | 1.1 | – | 1.1 |
| **Balance at 31 December 2015** | 98.9 | 4.6 | 103.5 |

| | Property provisions $m | Other provisions $m | Total provisions $m |
|---|---|---|---|
| Current | 16.9 | – | 16.9 |
| Non-current | 82.0 | 4.6 | 86.6 |
| Provisions made | – | – | – |
| Provisions released during the year | (2.5) | – | (2.5) |
| Utilised | (18.0) | (0.6) | (18.6) |
| Unwound against interest during the year | 1.0 | – | 1.0 |
| **Balance at 31 December 2016** | 79.4 | 4.0 | 83.4 |
| Current | 19.6 | – | 19.6 |
| Non-current | 59.8 | 4.0 | 63.8 |
| **Balance at 1 January 2016** | 98.9 | 4.6 | 103.5 |
| Current | 16.9 | – | 16.9 |
| Non-current | 82.0 | 4.6 | 86.6 |
| Provisions made | – | – | – |
| Provisions released to administrative expenses during the year | – | – | – |
| Utilised | (13.4) | (0.6) | (14.0) |
| Unwound against interest during the year | 0.8 | – | 0.8 |
| **Balance at 30 September 2016** | 86.3 | 4.0 | 90.3 |
| Current | 16.9 | – | 16.9 |
| Non-current | 69.4 | 4.0 | 73.4 |
| **Balance at 1 January 2017** | 79.4 | 4.0 | 83.4 |
| Current | 19.6 | – | 19.6 |
| Non-current | 59.8 | 4.0 | 63.8 |
| Provisions made | – | – | – |
| Provisions released during the year | – | – | – |
| Utilised during the year | (15.3) | (0.2) | (15.5) |
| Unwound against interest during the year | 0.7 | – | 0.7 |
| **Balance at 30 September 2017** | 64.8 | 3.8 | 68.6 |
| Current | 19.6 | 3.8 | 23.4 |
| Non-current | 45.2 | – | 45.2 |

Other provisions do not require significant judgement.

Property provisions primarily relate to onerous leases and market rent adjustments. Market rent provisions relate to the fair value of liabilities on leases acquired, which are assessed on acquisition and released over the remaining life of the lease.

The property provision includes onerous leases, which are assessed as being the unavoidable costs of the lease obligations in excess of the economic benefits expected to be received from operating it. The unavoidable costs of the lease reflect the lease net cost of exiting from the contract and is measured as the lower of the net cost of continuing to operate the lease and any penalties or other costs from exiting it, measured on a discounted basis. The remaining provision will be utilised over the period to the next rent review date or the remaining lease life depending on the term of the lease. This is between one and 20 years.

The level of onerous lease provision is dependent upon judgement in forecasting future cash flows and used in arriving at the discount rate applied to cash flow projections, however when performing sensitivity even a movement of 10% in the cash flows would not have a material impact on the level of the provision. The future cash flows are discounted using a risk free rate of 2%. Other property provisions are not considered to require ongoing judgement as amounts relate to pre-determined unwinds and releases.

**Litigation**

The Group is currently the subject of an investigation by the United States Department of Justice regarding potentially anticompetitive conduct and coordination among NCM, AMC Entertainment, Inc. and Regal and/or Cinemark, Inc. Additionally, it is the subject of investigations by various state attorneys general and the United States Department of Justice relating to its investments in various joint venture associates, including NCM, as well as movie "clearances" whereby film distributors do not license the rights to exhibitors to play the same first-run feature length films at the same time in the same theatrical release zones. No proceedings have been commenced and it is not possible to quantify the amount of any damages at this stage.

## 20. Capital and Reserves

***Share Capital***

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m (unaudited)* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| **Regal Entertainment Group** | | | | | |
| *Allotted, called up and fully paid* | | | | | |
| 500,000,000 shares of Class A common stock, par value $0.001 per share; | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| • 200,000,000 shares of Class B common stock, par value $0.001 per share; and | – | – | – | – | – |
| • 50,000,000 shares of preferred stock, par value $0.001 per share. | – | – | – | – | – |

Of the authorised shares of Class A common stock, 18.0 million shares were sold in connection with the Group's initial public offering in May 2002. The Group's Class A common stock is listed on the New York Stock Exchange under the trading symbol "RGC." As of 31 December 2016, 133,080,279 shares of Class A common stock were outstanding. Of the authorised shares of Class B common stock, 23,708,639 shares were outstanding as of 31 December 2016, all of which are beneficially owned by The Anschutz Corporation and its affiliates. Each share of Class B common stock converts into a single share of Class A common stock at the option of the holder or upon certain transfers of a holder's Class B common stock. Each holder of Class B common stock is entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Of the authorised shares of the preferred stock, no shares were issued and outstanding as of 31 December 2016. The Class A common stock is entitled to a single vote for each outstanding share of Class A common stock on every matter properly submitted to the stockholders for a vote. Except as required by law, the Class A and Class B common stock vote together as a single class on all matters submitted to the stockholders. The material terms and provisions of the Group's certificate of incorporation affecting the relative rights of the Class A common stock and the Class B common stock are described below.

On 2 August 2016, the Group entered into an underwriting agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated and The Anschutz Corporation and certain of its affiliates named therein (**Selling Stockholders**). Pursuant to the underwriting agreement, the Selling Stockholders agreed to sell 13,000,000 shares of the Group's Class A common stock, par value $0.001 per share, to Merrill Lynch, Pierce, Fenner & Smith Incorporated at a price of $21.60 per share. In addition, on 17 November 2016, the Group entered into an underwriting agreement with UBS Securities LLC and the Selling Stockholders. Pursuant to the underwriting agreement, the Selling Stockholders agreed to sell 13,000,000 shares of the Group's Class A common stock, par value $0.001 per share, to UBS Securities LLC at a price of $22.95 per share. The Group did not receive any proceeds from the sales of the shares by the Selling Stockholders.

The Selling Stockholders owned 18,440,000 shares of the Group issued and outstanding Class A Common Stock, representing approximately 13.9 per cent. of the Group Class A common stock issued and outstanding as of 31 December 2016, which together with the 23,708,639 shares of the Group Class B common stock owned by the Selling Stockholders, represents approximately 69.0 per cent. of the combined voting power of the outstanding shares of Class A common stock and Class B common stock as of 31 December 2016.

*Common Stock*

The Class A common stock and the Class B common stock are identical in all respects, except with respect to voting and except that each share of Class B common stock will convert into a single share of Class A common stock at the option of the holder or upon a transfer of the holder's Class B common stock, other than to certain transferees. Each holder of Class A common stock will be entitled to a single vote for each outstanding share of Class A common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Each holder of Class B common stock will be entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Except as required by law, the Class A common stock and the Class B common stock will vote together on all matters. Subject to the dividend rights of holders of any outstanding preferred stock, holders of common stock are entitled to any dividend declared by Regal's board of directors out of funds legally available for this purpose, and, subject to the liquidation preferences of any outstanding preferred stock, holders of common stock are entitled to receive, on a pro rata basis, all the Group's remaining assets available for distribution to the stockholders in the event of the Group's liquidation, dissolution or winding up. No dividend can be declared on the Class A or Class B common stock unless at the same time an equal dividend is paid on each share of Class B or Class A common stock, as the case may be. Dividends paid in shares of common stock must be paid, with respect to a particular class of common stock, in shares of that class.

Holders of common stock do not have any pre-emptive right to become subscribers or purchasers of additional shares of any class of the Group's capital stock. The outstanding shares of common stock are, when issued and paid for, fully paid and non-assessable. The rights, preferences and privileges of holders of common stock may be adversely affected by the rights of the holders of shares of any series of preferred stock that the Group may designate and issue in the future.

*Preferred Stock*

The Group's certificate of incorporation allows the Group to issue, without stockholder approval, preferred stock having rights senior to those of the common stock. The Group's board of directors is authorised, without further stockholder approval, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of any series of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, and to fix the number of shares constituting any series and the designations of these series. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of common stock. The issuance of preferred stock could also have the effect of decreasing the market price of the Class A common stock. As of 31 December 2016, no shares of preferred stock are outstanding.

*Warrants*

No warrants to acquire the Group's Class A or Class B common stock were outstanding as of 31 December 2016.

*Dividends*

Regal paid four quarterly cash dividends of $0.22 per share on each outstanding share of the Group's Class A and Class B common stock, or approximately $138.9 million in the aggregate, during the year ended 31 December 2016. Regal paid four quarterly cash dividends of $0.22 per share on each outstanding share of the Group's Class A and Class B common stock, or approximately $139.1 million in the aggregate, during the year ended 31 December 2015. Regal paid four quarterly cash dividends of $0.22 per share on each outstanding share of the Group's Class A and Class B common stock, or approximately $138.6 million in the aggregate, during the year ended 1 January 2015. In addition, on 15 December 2014, Regal paid an extraordinary cash dividend of $1.00 per share on each outstanding share of the Group Class A and Class B common stock, or approximately $156.2 million in the aggregate.

*Hedging Reserve*

The hedging reserve comprises the liability in relation to the interest rate swaps entered into, to hedge against variable interest payments on the bank debt as disclosed in note 21. As hedge accounting has been adopted the gains/losses are recorded through equity until such time as the cash flows being hedged occur, when they are recycled to the statement of profit or loss.

The Group assesses effectiveness by comparing changes in the carrying amount of the debt that is attributable to a change in spot rate with changes in the value of the investment in the foreign operation due to movements in the spot rate. The Group's policy is to hedge the net investment only to the extent of the debt principal.

The changes in fair value of the hedged item and instrument were reflected in the table were recognised in the hedge and foreign exchange reserve respectively for the hedged item and hedging instrument.

## 21. Financial Instruments

***Overview***

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Regal Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has in place a risk management programme and regular reports are made to the Group's Audit Committee, which is tasked with general oversight.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks by the Group. The Group's Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of certain risk management controls and procedures, the results of which are reported to the Audit Committee.

***Credit Risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's credit risk is primarily attributable to its trade receivables. However, due to the nature of the Group's business, trade receivables are not significant which limits the related credit risk. The Group's trade receivables are disclosed in Note 14. All receivables are within credit terms. The bad debts expense and provision is as follows:

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| Expense | 0.3 | 1.0 | 0.6 | 0.2 | 0.2 |
| Provision | 0.2 | – | 0.4 | – | 0.5 |

Based on past experience the Group believes that no impairment allowance is necessary in respect of the trade receivables that are past due. The credit risk on liquid funds and derivative financial instruments is also limited because the counterparties are banks with high credit-ratings.

***Liquidity Risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Regal Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. The amounts disclosed in the table are contractual undiscounted cash flows, including interest payments calculated using interest rates in force at each Balance Sheet date, so will not always reconcile with the amounts disclosed on the Balance Sheet.

***1 January 2015***

| | *Carrying amount $m* | *Contractual cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Unsecured bank loans | 965.3 | (965.8) | (5.1) | (5.0) | (10.1) | (945.6) | – |
| Finance lease liabilities | 107.6 | (160.9) | (12.0) | (12.0) | (23.8) | (65.3) | (47.8) |
| Senior note–1 | 761.5 | (775.0) | – | – | – | – | (775.0) |
| Senior note–2 | 245.4 | (250.0) | – | – | – | – | (250.0) |
| Senior note–3 | 245.4 | (250.0) | – | – | – | – | (250.0) |
| Trade payables | 163.1 | (163.1) | (163.1) | – | – | – | – |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swap 1 | 0.1 | (14.2) | (3.4) | (1.8) | (4.2) | (4.8) | – |
| | 2,488.4 | (2,579.0) | (183.6) | (19.6) | (38.1) | (1,015.7) | (1,322.8) |

### *31 December 2015*

| | *Carrying amount $m* | *Contractual cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Unsecured bank loans | 950.3 | (960.9) | (4.9) | (4.8) | (9.7) | (28.9) | (912.6) |
| Finance lease liabilities | 100.5 | (148.8) | (12.2) | (12.1) | (24.1) | (55.5) | (44.9) |
| Senior note–1 | 763.4 | (775.0) | – | – | – | – | (775.0) |
| Senior note–2 | 245.8 | (250.0) | – | – | – | – | (250.0) |
| Senior note–3 | 246.0 | (250.0) | – | – | – | – | (250.0) |
| Trade payables | 226.0 | (226.0) | (226.0) | – | – | – | – |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swap 1 | 1.9 | (7.9) | (1.9) | (1.7) | (2.9) | (1.4) | – |
| | 2,533.9 | (2,618.6) | (245.0) | (18.6) | (36.7) | (85.8) | (2,232.5) |

### *31 December 2016*

| | *Carrying amount $m* | *Contractual cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Unsecured bank loans | 945.8 | (956.1) | (4.8) | (4.8) | (9.6) | (28.7) | (908.2) |
| Finance lease liabilities | 106.3 | (159.5) | (12.5) | (12.5) | (22.8) | (47.8) | (63.9) |
| Senior note–1 | 765.3 | (775.0) | – | – | – | – | (775.0) |
| Senior note–2 | 246.3 | (250.0) | – | – | – | – | (250.0) |
| Senior note–3 | 246.5 | (250.0) | – | – | – | – | (250.0) |
| Trade payables | 191.0 | (191.0) | (191.0) | – | – | – | – |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swap 1 | 0.7 | (4.2) | (1.4) | (1.4) | (1.4) | – | – |
| | 2,501.9 | (2,585.8) | (209.7) | (18.8) | (33.8) | (76.5) | (2,247.1) |

### *30 September 2016*

| | *Carrying amount $m* | *Contractual cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Unsecured bank loans | 944.8 | (956.1) | (4.8) | (4.8) | (9.6) | (28.8) | (908.1) |
| Finance lease liabilities | 109.6 | (161.4) | (12.3) | (12.2) | (23.1) | (49.2) | (64.6) |
| Senior note–1 | 764.8 | (775.0) | – | – | – | – | (775.0) |
| Senior note–2 | 246.2 | (250.0) | – | – | – | – | (250.0) |
| Senior note–3 | 246.4 | (250.0) | – | – | – | – | (250.0) |
| Trade payables | 98.7 | (98.7) | (98.7) | – | – | – | – |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swap 1 | 1.7 | (5.2) | (1.5) | (1.5) | (2.2) | – | – |
| | 2,412.2 | (2,496.4) | (117.3) | (18.5) | (34.9) | (78.0) | (2,247.7) |

***30 September 2017***

| | *Carrying amount* *$m* | *Contractual cash flows* *$m* | *6 months or less* *$m* | *6-12 months* *$m* | *1-2 years* *$m* | *2-5 years* *$m* | *More than 5 years* *$m* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Unsecured bank loans | 1,090.1 | (1,101.1) | (5.6) | (5.5) | (11.1) | (1,078.9) | – |
| Finance lease liabilities | 99.0 | (148.8) | (11.9) | (11.9) | (22.4) | (39.9) | (62.7) |
| Senior note–1 | 766.7 | (775.0) | – | – | – | (775.0) | – |
| Senior note–2 | 246.6 | (250.0) | – | – | – | – | (250.0) |
| Senior note–3 | 246.9 | (250.0) | – | – | – | – | (250.0) |
| Trade payables | 117.5 | (117.5) | (117.5) | – | – | – | – |
| **Derivative financial assets** | | | | | | | |
| Interest rate swap 1 | 0.9 | (12.3) | (1.0) | (0.9) | (2.7) | (7.7) | – |
| | 8,565.9 | (2,654.6) | (136.0) | (18.3) | (36.2) | (1,890.5) | (562.7) |

On 2 April 2015, Regal Cinemas entered into a seventh amended and restated credit agreement (the **Amended Senior Credit Facility**), with Credit Suisse AG as Administrative Agent (**Credit Suisse AG**) and the lenders party thereto which amended, restated and refinanced the sixth amended and restated credit agreement (the **Prior Senior Credit Facility**). The Amended Senior Credit Facility consisted of a term loan facility (the **Term Facility**) in an aggregate principal amount of $965.8 million with a final maturity date in April 2022 and a revolving credit facility (the **Revolving Facility**) in an aggregate principal amount of $85.0 million with a final maturity date in April 2020. The Term Facility amortized in equal quarterly instalments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Facility, with the balance payable on the Term Facility maturity date. Proceeds from the Term Facility (approximately $963.3 million, net of debt discount) were applied to refinance the term loan under the Prior Senior Credit Facility, which had an aggregate outstanding principal balance of approximately $963.2 million. As a result of the amendment, Regal recorded a loss on debt extinguishment of approximately $5.7 million during the quarter ended 30 June 2015.

On 1 June 2016, Regal Cinemas entered into a permitted secured refinancing agreement with REH, the guarantors party thereto, Credit Suisse AG and the lenders party thereto (the **June 2016 Refinancing Agreement**). Pursuant to the June 2016 Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Term Facility under the Amended Senior Credit Facility, which had an aggregate principal balance of approximately $958.5 million, and in accordance therewith, received term loans in an aggregate principal amount of approximately $958.5 million with a final maturity date in April 2022. Together with other amounts provided by Regal Cinemas, proceeds of the term loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Term Facility under the Amended Senior Credit Facility. In connection with the execution of the June 2016 Refinancing Agreement, Regal recorded a loss on debt extinguishment of approximately $1.5 million during the quarter ended 30 June 2016.

On 2 December 2016, Regal Cinemas entered into a permitted secured refinancing agreement (the **December 2016 Refinancing Agreement**) with REH, the guarantors party thereto, Credit Suisse AG and the lenders party thereto. The December 2016 Refinancing Agreement further amends the Amended Senior Credit Facility, which was amended by the June 2016 Refinancing Agreement. Pursuant to the December 2016 Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Term Facility, which had an aggregate principal balance of approximately $956.1 million , and in accordance therewith, and received term loans in an aggregate principal amount of approximately $956.1 million with a final maturity date in April 2022 (the **New Term Loans**). Together with other amounts provided by Regal Cinemas, proceeds of the New Term Loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the existing term facility under the Amended Senior Credit Facility in effect immediately prior to the making of the New Term Loans. The New Term Loans amortize in equal quarterly instalments in an aggregate annual amount equal to 1.0% of the original principal amount of the New Term Loans, with the balance payable on the maturity date of the New Term Loans. The December 2016 Refinancing Agreement also amends the Amended Senior Credit Facility by reducing the interest rate on the

New Term Loans, by providing, at Regal Cinemas' option, either a base rate or an adjusted LIBOR rate (as defined in the Amended Senior Credit Facility) plus, in each case, an applicable margin. Such applicable margin will be either 1.50% in the case of base rate loans or 2.50% in the case of LIBOR rate loans. The December 2016 Refinancing Agreement also provides for a 1% prepayment premium applicable in the event that Regal Cinemas enters into a refinancing or amendment of the New Term Loans on or prior to the sixth-month anniversary of the closing of the December 2016 Refinancing Agreement that, in either case, has the effect of reducing the interest rate on the New Term Loans. In connection with the execution of the December 2016 Refinancing Agreement, Regal recorded a loss on debt extinguishment of approximately $1.4 million during the quarter ended 31 December 2016.

No amounts have been drawn on the Revolving Facility. The Amended Senior Credit Facility also permits Regal Cinemas to borrow additional term loans thereunder in an amount of up to $200.0 million, plus additional amounts as would not cause the consolidated total leverage ratio of Regal Cinemas to exceed 3.00:1.00, in each case, subject to lenders providing additional commitments for such amounts and the satisfaction of certain other customary conditions. The obligations of Regal Cinemas are secured by, among other things, a lien on substantially all of its tangible and intangible personal property (including but not limited to accounts receivable, inventory, equipment, general intangibles, investment property, deposit and securities accounts, and intellectual property) and certain owned real property. The obligations under the Amended Senior Credit Facility are also guaranteed by certain subsidiaries of Regal Cinemas and secured by a lien on all or substantially all of such subsidiaries' personal property and certain owned real property pursuant to that certain second amended and restated guaranty and collateral agreement, dated as of May 19, 2010, among Regal Cinemas, certain subsidiaries of Regal Cinemas party thereto and Credit Suisse AG (the **Amended Guaranty Agreement**). The obligations are further guaranteed by REH, on a limited recourse basis, with such guaranty being secured by a lien on the capital stock of Regal Cinemas.

Borrowings under the Amended Senior Credit Facility bear interest, at Regal Cinemas' option, at either a base rate or an adjusted LIBOR rate (as defined in the Amended Senior Credit Facility) plus, in each case, an applicable margin of 1.50% in the case of base rate loans or 2.50% in the case of LIBOR rate loans. Interest is payable (a) in the case of base rate loans, quarterly in arrears, and (b) in the case of LIBOR rate loans, at the end of each interest period, but in no event less often than every 3 months . If, at any time, with respect to the New Term Loans, the adjusted LIBOR rate as defined in the Amended Senior Credit Facility would otherwise be lower than 0.75% per annum, the adjusted LIBOR rate with respect to the New Term Loans shall be deemed to be 0.75% per annum at such time. Regal Cinemas may prepay borrowings under the Amended Senior Credit Facility, in whole or in part, in minimum amounts and subject to other conditions set forth in the Amended Senior Credit Facility.

The Amended Senior Credit Facility includes the following financial maintenance covenants, which are applicable only in certain circumstances where usage of the revolving credit commitments exceeds 30% of such commitments. Such financial covenants are limited to the following:

- maximum adjusted leverage ratio, determined by the ratio of (i) the sum of funded debt (net of unencumbered cash) plus the product of eight (8) times lease expense to (ii) consolidated EBITDAR (as defined in the Amended Senior Credit Facility), of 6.0 to 1.0; and

- maximum total leverage ratio, determined by the ratio of funded debt (net of unencumbered cash) to consolidated EBITDA (as defined in the Amended Senior Credit Facility), of 4.0 to 1.0.

The Amended Senior Credit Facility requires that Regal Cinemas and its subsidiaries comply with covenants relating to customary matters, including with respect to incurring indebtedness and liens, making investments and acquisitions, effecting mergers and asset sales, prepaying indebtedness, and paying dividends.

The Amended Senior Credit Facility also limits capital expenditures to an amount not to exceed 35% of consolidated EBITDA for the prior fiscal year plus a one-year carry forward for unused amounts from the prior fiscal year. Among other things, such limitations will restrict the ability of Regal Cinemas to fund the operations of Regal or any subsidiary of Regal that is not a subsidiary of Regal Cinemas which guarantees the obligations under Amended Senior Credit Facility.

The Amended Senior Credit Facility includes events of default relating to customary matters, including, among other things, non-payment of principal, interest or other amounts; violation of covenants; incorrectness of representations and warranties in any material respect; cross default and cross acceleration with respect to indebtedness in an aggregate principal amount of $25.0 million or more; bankruptcy; judgments involving liability of $25.0 million or more that are not paid; ERISA events; actual or asserted invalidity of guarantees or security documents; and change of control.

As of 31 December 2016 and 31 December 2015, borrowings of $954.7 million (net of debt discount) and $958.8 million (net of debt discount), respectively, were outstanding under the New Term Loans and term facility under the Prior Senior Credit Facility at an effective interest rate of 3.56% (as of 31 December 2016) and 4.17% (as of 31 December 2015), after the impact of the interest rate swaps is taken into account.

**Regal 5¾% Senior Notes Due 2022**

On 11 March 2014, Regal issued $775.0 million in aggregate principal amount of its 5¾% senior notes due 2022 (the **5¾% Senior Notes Due 2022**) in a registered public offering. The net proceeds from the offering were approximately $760.1 million, after deducting underwriting discounts and offering expenses. Regal used a portion of the net proceeds from the offering to purchase approximately $222.3 million aggregate principal amount of its then outstanding 9⅛% Senior Notes for an aggregate purchase price of approximately $240.5 million pursuant to a cash tender offer for such notes, and $355.8 million aggregate principal amount of Regal Cinemas then outstanding 8⅝% Senior Notes for an aggregate purchase price of approximately $381.0 million pursuant to a cash tender offer for such notes as described further below. As a result of the tender offers, Regal recorded a $51.9 million loss on extinguishment of debt during the year ended 1 January 2015.

Also on 11 March 2014, Regal and Regal Cinemas each announced their intention to redeem all 9⅛% Senior Notes and 8⅝% Senior Notes that remained outstanding following the consummation of the tender offers at a price equal to 100% of the principal amount thereof plus a "make-whole" premium and accrued and unpaid interest payable thereon up to, but not including, the redemption date, in accordance with the terms of the indentures governing the 9⅛% Senior Notes and 8⅝% Senior Notes. On 10 April 2014, the remaining 9⅛% Senior Notes and 8⅝% Senior Notes were fully redeemed by Regal and Regal Cinemas for an aggregate purchase price of $144.9 million (including accrued and unpaid interest) using the remaining net proceeds from the 5¾% Senior Notes Due 2022 and available cash on hand. As a result of the redemptions, Regal recorded an additional $10.5 million loss on extinguishment of debt during the year ended 1 January 2015. The 5¾% Senior Notes Due 2022 bear interest at a rate of 5.75% per year, payable semi-annually in arrears on 15 March and 15 September of each year, beginning 15 September 2014. The 5¾% Senior Notes Due 2022 will mature on 15 March 2022. The 5¾% Senior Notes Due 2022 are Regal's senior unsecured obligations and rank equal in right of payment with all of Regal's existing and future senior unsecured indebtedness and prior to all of Regal's future subordinated indebtedness. The 5¾% Senior Notes Due 2022 are effectively subordinated to all of Regal's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of Regal's subsidiaries. None of Regal's subsidiaries guaranty any of Regal's obligations with respect to the 5¾% Senior Notes Due 2022.

Prior to 15 March 2017, Regal may redeem all or any part of the 5¾% Senior Notes Due 2022 at its option at 100% of the principal amount, plus accrued and unpaid interest to the redemption date and a make-whole premium. Regal may redeem the 5¾% Senior Notes Due 2022 in whole or in part at any time on or after 15 March 2017 at the redemption prices specified in the indenture. In addition, prior to 15 March 2017, Regal may redeem up to 35% of the original aggregate principal amount of the 5¾% Senior Notes Due 2022 from the net proceeds of certain equity offerings at the redemption price specified in the indenture. Regal has not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument, as the economic characteristics and risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

If Regal undergoes a change of control (as defined in the indenture), holders may require Regal to repurchase all or a portion of their 5¾% Senior Notes Due 2022 at a price equal to 101% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, to the date of purchase.

The indenture contains covenants that limit Regal's (and its restricted subsidiaries') ability to, among other things:

(i) incur additional indebtedness;

(ii) pay dividends on or make other distributions in respect of its capital stock, purchase or redeem capital stock, or purchase, redeem or otherwise acquire or retire certain subordinated obligations;

(iii) enter into certain transactions with affiliates;

(iv) permit, directly or indirectly, it to create, incur, or suffer to exist any lien, except in certain circumstances;

(v) create or permit encumbrances or restrictions on the ability of its restricted subsidiaries to pay dividends or make distributions on their capital stock, make loans or advances to other subsidiaries or Regal, or transfer any properties or assets to other subsidiaries or Regal; and

merge or consolidate with other companies or transfer all or substantially all of its assets. These covenants are, however, subject to a number of important limitations and exceptions. The indenture contains other customary terms, including, but not limited to, events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding notes to be due and payable immediately.

**Regal 5¾% Senior Notes Due 2025**

On 17 January 2013, Regal issued $250.0 million in aggregate principal amount of its 5¾% senior notes due 2025 (the **5¾% Senior Notes Due 2025**) in a registered public offering. The net proceeds from the offering were approximately $244.5 million, after deducting underwriting discounts and offering expenses. Regal used approximately $194.4 million of the net proceeds from the offering to fund the acquisition of Hollywood Theatres.

The 5¾% Senior Notes Due 2025 bear interest at a rate of 5.75% per year, payable semi-annually in arrears on 1 February and 1 August of each year, beginning 1 August 2013. The 5¾% Senior Notes Due 2025 will mature on 1 February 2025. The 5¾% Senior Notes Due 2025 are Regal's senior unsecured obligations. They rank equal in right of payment with all of Regal's existing and future senior unsecured indebtedness and prior to all of Regal's future subordinated indebtedness. The 5¾% Senior Notes Due 2025 are effectively subordinated to all of Regal's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of Regal's subsidiaries. None of Regal's subsidiaries guaranty any of Regal's obligations with respect to the 5¾% Senior Notes Due 2025.

Prior to 1 February 2018, Regal may redeem all or any part of the 5¾% Senior Notes Due 2025 at its option at 100% of the principal amount, plus accrued and unpaid interest to the redemption date and a make-whole premium. Regal may redeem the 5¾% Senior Notes Due 2025 in whole or in part at any time on or after 1 February 2018 at the redemption prices specified in the indenture governing the 5¾% Senior Notes Due 2025. In addition, prior to 1 February 2016, Regal may redeem up to 35% of the original aggregate principal amount of the 5¾% Senior Notes Due 2025 from the net proceeds from certain equity offerings at the redemption price specified in the indenture. Regal has not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument, as the economic characteristics and risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

If Regal undergoes a change of control (as defined in the indenture), holders may require Regal to repurchase all or a portion of their notes at a price equal to 101% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, to the date of purchase.

The indenture contains covenants that limit Regal's (and its restricted subsidiaries') ability to, among other things:

(i) incur additional indebtedness;

(ii) pay dividends on or make other distributions in respect of its capital stock, purchase or redeem capital stock, or purchase, redeem or otherwise acquire or retire certain subordinated obligations;

(iii) enter into certain transactions with affiliates;

(iv) permit, directly or indirectly, it to create, incur, or suffer to exist any lien, except in certain circumstances;

(v) create or permit encumbrances or restrictions on the ability of its restricted subsidiaries to pay dividends or make distributions on their capital stock, make loans or advances to other subsidiaries or Regal, or transfer any properties or assets to other subsidiaries or Regal; and

(vi) merge or consolidate with other companies or transfer all or substantially all of its assets. These covenants are, however, subject to a number of important limitations and exceptions. The indenture contains other customary terms, including, but not limited to, events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding notes to be due and payable immediately.

**Regal 5¾% Senior Notes Due 2023**

On 13 June 2013, Regal issued $250.0 million in aggregate principal amount of its 5¾% senior notes due 2023 (the **5¾% Senior Notes Due 2023**) in a registered public offering. The net proceeds from the offering were approximately $244.4 million, after deducting underwriting discounts and offering expenses. Regal used the net proceeds from the offering to purchase approximately $213.6 million aggregate principal amount of its outstanding 9⅛% Senior Notes for an aggregate purchase price of approximately $244.3 million pursuant to a cash tender offer for such notes as described further above.

The 5¾% Senior Notes Due 2023 bear interest at a rate of 5.75% per year, payable semi-annually in arrears on 15 June and 15 December of each year, beginning 15 December 2013. The 5¾% Senior Notes Due 2023 will mature on 15 June 2023. The 5¾% Senior Notes Due 2023 are Regal's senior unsecured obligations. They rank equal in right of payment with all of Regal's existing and future senior unsecured indebtedness and prior to all of Regal's future subordinated indebtedness. The 5¾% Senior Notes Due 2023 are effectively subordinated to all of Regal's future secured indebtedness to the extent of the value of the collateral securing that indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of Regal's subsidiaries. None of Regal's subsidiaries will guaranty any of Regal's obligations with respect to the 5¾% Senior Notes Due 2023.

Prior to 15 June 2018, Regal may redeem all or any part of the 5¾% Senior Notes Due 2023 at its option at 100% of the principal amount, plus accrued and unpaid interest to the redemption date and a make-whole premium. Regal may redeem the 5¾% Senior Notes Due 2023 in whole or in part at any time on or after 15 June 2018 at the redemption prices specified in the indenture. In addition, prior to 15 June 2016, Regal may redeem up to 35% of the original aggregate principal amount of the 5¾% Senior Notes Due 2023 from the net proceeds of certain equity offerings at the redemption price specified in the indenture. Regal has not separated the make-whole premium from the underlying debt instrument to account for it as a derivative instrument, as the economic characteristics and risks of this embedded derivative are clearly and closely related to the economic characteristics and risks of the underlying debt.

If Regal undergoes a change of control (as defined in the indenture), holders may require Regal to repurchase all or a portion of their 5¾% Senior Notes Due 2023 at a price equal to 101% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, to the date of purchase.

The indenture contains covenants that limit Regal's (and its restricted subsidiaries') ability to, among other things:

(i) additional indebtedness;

(ii) pay dividends on or make other distributions in respect of its capital stock, purchase or redeem capital stock, or purchase, redeem or otherwise acquire or retire certain subordinated obligations;

(iii) enter into certain transactions with affiliates;

(iv) permit, directly or indirectly, it to create, incur, or suffer to exist any lien, except in certain circumstances;

(v) create or permit encumbrances or restrictions on the ability of its restricted subsidiaries to pay dividends or make distributions on their capital stock, make loans or advances to other subsidiaries or Regal, or transfer any properties or assets to other subsidiaries or Regal; and

(vi) merge or consolidate with other companies or transfer all or substantially all of its assets. These covenants are, however, subject to a number of important limitations and exceptions. The indenture contains other customary terms, including, but not limited to, events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding notes to be due and payable immediately.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility for at least 12 months from the approval date of the historical consolidated financial information, including compliance with the bank facility covenants. The Group therefore continues to adopt the going concern basis.

### *Cash Flow Hedges*

The following table indicates the periods in which the discounted cash flows associated with derivatives that are cash flow hedges are expected to occur.

***1 January 2015***

| | *Carrying amount $m* | *Expected cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| Interest rate swaps: | | | | | | | |
| Swap 1 | – | (1.5) | (1.5) | – | – | – | – |
| Swap 2 | – | (2.0) | (0.5) | (0.5) | (1.0) | – | – |
| Swap 3 | 0.5 | (9.6) | (0.8) | (0.8) | (3.2) | (4.8) | – |
| Swap 4 | (0.6) | (1.1) | (0.6) | (0.5) | – | – | – |
| | (0.1) | (14.2) | (3.4) | (1.8) | (4.2) | (4.8) | – |

***31 December 2015***

| | *Carrying amount $m* | *Expected cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| Interest rate swaps: | | | | | | | |
| Swap 1 | – | – | – | – | – | – | – |
| Swap 2 | – | (0.7) | (0.4) | (0.3) | – | – | – |
| Swap 3 | (1.9) | (7.2) | (1.5) | (1.4) | (2.9) | (1.4) | – |
| Swap 4 | – | – | – | – | – | – | – |
| | (1.9) | (7.9) | (1.9) | (1.7) | (2.9) | (1.4) | – |

*31 December 2016*

| | *Carrying amount $m* | *Expected cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| Interest rate swaps: | | | | | | | |
| Swap 1 | – | – | – | – | – | – | – |
| Swap 2 | – | – | – | – | – | – | – |
| Swap 3 | (0.7) | (4.2) | (1.4) | (1.4) | (1.4) | – | – |
| Swap 4 | – | – | – | – | – | – | – |
| | (0.7) | (4.2) | (1.4) | (1.4) | (1.4) | – | – |

*30 September 2016*

| | *Carrying amount $m* | *Expected cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| Interest rate swaps: | | | | | | | |
| Swap 1 | – | – | – | – | – | – | – |
| Swap 2 | – | (0.2) | (0.1) | (0.1) | – | – | – |
| Swap 3 | (1.7) | (5.0) | (1.4) | (1.4) | (2.2) | – | – |
| Swap 4 | – | – | – | – | – | – | – |
| | (1.7) | (5.2) | (1.5) | (1.5) | (2.2) | – | – |

*30 September 2017*

| | *Carrying amount $m* | *Expected cash flows $m* | *6 months or less $m* | *6-12 months $m* | *1-2 years $m* | *2-5 years $m* | *More than 5 years $m* |
|---|---|---|---|---|---|---|---|
| Interest rate swaps: | | | | | | | |
| Swap 1 | – | – | – | – | – | – | – |
| Swap 2 | – | – | – | – | – | – | – |
| Swap 3 | – | (1.4) | (1.0) | (0.4) | – | – | – |
| Swap 4 | – | – | – | – | – | – | – |
| Swap 5 | 0.6 | (4.0) | – | – | (1.0) | (3.0) | – |
| Swap 6 | 0.3 | (6.9) | – | (0.5) | (1.7) | (4.7) | – |
| | 0.9 | (12.3) | (1.0) | (0.9) | (2.7) | (7.7) | – |

It is expected that the expected cash flows will impact profit and loss when the cash flows occur.

***Market Risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

***Interest Rate Risk***

The Group's policy is to manage its cost of borrowing by securing fixed interest rates on a portion of its term loan.

Whilst fixed-rate interest-bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling.

In addition, the fair value risk inherent in fixed-rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process.

The Group uses interest rate swaps agreed with other parties to hedge a portion of its bank loans that have fixed interest rates. Interest rate swaps are measured at fair value, which have been calculated by discounting the expected future cash flows at prevailing interest rates.

The Group has hedging arrangements in place to mitigate the potential risk of a material impact arising from interest rate fluctuations, the following proportion of the term loan was hedged each year using the number of swaps indicated below:

| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m* | *30 September 2017 $m* |
|---|---|---|---|---|---|
| Swaps | 4 | 2 | 1 | 2 | 3 |
| Hedged portion of loan | 47.0% | 37.0% | 21.0% | 37.0% | 18.0% |

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | *Carrying amount* | | | | |
|---|---|---|---|---|---|
| | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m* | *30 September 2017 $m* |
| **Fixed rates instruments** | | | | | |
| Financial liabilities (interest rate swap) | (0.1) | (1.9) | (0.7) | (1.7) | 0.9 |
| Financial liabilities (unsecured bank loans – hedged portion) | (450.0) | (350.0) | (200.0) | (350.0) | (200.0) |
| Finance lease liabilities | (107.6) | (100.5) | (106.3) | (109.6) | (99.0) |
| Senior note–1 | (761.5) | (763.4) | (765.3) | (764.8) | (766.7) |
| Senior note–2 | (245.4) | (245.8) | (246.3) | (246.2) | (246.6) |
| Senior note–3 | (245.4) | (246.0) | (246.5) | (246.4) | (246.9) |
| | (1,810.0) | (1,707.6) | (1,565.1) | (1,718.7) | (1,558.3) |
| **Variable rate instruments** | | | | | |
| Financial liabilities (unsecured bank loans – unhedged portion) | (515.3) | (600.3) | (745.8) | (594.8) | (890.2) |

***Fair Value Sensitivity Analysis for Fixed Rate Instruments***

Fixed-rate derivative financial instruments (interest rate swaps) are accounted for at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Profit or Loss except where derivatives qualify for hedge accounting when recognition of any resultant gain or loss depends on the nature of the item being hedged.

***Cash Flow Sensitivity Analysis for Variable Rate Instruments***

A change of ten percent in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis for each reported period.

| | *Profit or loss* | | *Equity* | |
|---|---|---|---|---|
| *Effect in USD thousands* | *10% increase* | *10% decrease* | *10% increase* | *10% decrease* |
| **31 December 2016** | | | | |
| **Cash flow sensitivity (net)** | (3,400) | 3,400 | (3,400) | 3,400 |
| **31 December 2015** | | | | |
| **Cash flow sensitivity (net)** | (4,000) | 4,000 | (4,000) | 4,000 |
| **1 January 2015** | | | | |
| **Cash flow sensitivity (net)** | (3,100) | 3,100 | (3,100) | 3,100 |
| **30 September 2017** | | | | |
| **Cash flow sensitivity (net)** | (3,700) | 3,700 | (3,700) | 3,700 |
| **30 September 2016** | | | | |
| **Cash flow sensitivity (net)** | (3,700) | 3,700 | (3,700) | 3,700 |

***Fair Values***

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the historical consolidated financial statements.

Short-term debtors, creditors and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

| | *Carrying amount 1 January 2015 $m* | *Fair value 1 January 2015 $m* | *Carrying amount 31 December 2015 $m* | *Fair value 31 December 2015 $m* | *Carrying amount 31 December 2016 $m* | *Fair value 31 December 2016 $m* |
|---|---|---|---|---|---|---|
| Unsecured bank loans | 965.3 | 941.7 | 950.3 | 955.2 | 945.8 | 962.5 |
| Finance lease liabilities | 107.6 | 107.6 | 100.5 | 100.5 | 106.3 | 106.3 |
| Senior note–1 | 761.5 | 775.0 | 763.5 | 775.0 | 765.3 | 775.0 |
| Senior note–2 | 245.4 | 250.0 | 245.8 | 250.0 | 246.3 | 250.0 |
| Senior note–3 | 245.4 | 250.0 | 246.0 | 250.0 | 246.5 | 250.0 |
| Interest rate swaps | 0.1 | 0.1 | 1.9 | 1.9 | 0.7 | 0.7 |
| | 2,325.4 | 2,324.4 | 2,308.0 | 2,332.6 | 2,310.9 | 2,344.5 |

| | *Carrying amount 30 September 2016 $m* | *Fair value 30 September 2016 $m* | *Carrying amount 30 September 2017 $m* | *Fair value 30 September 2017 $m* |
|---|---|---|---|---|
| Unsecured bank loans | 944.8 | 962.8 | 1,090.2 | 1,094.4 |
| Finance lease liabilities | 109.6 | 109.6 | 99.0 | 99.0 |
| Senior note–1 | 764.8 | 775.0 | 766.7 | 775.0 |
| Senior note–2 | 246.2 | 250.0 | 246.6 | 250.0 |
| Senior note–3 | 246.4 | 250.0 | 246.9 | 250.0 |
| Interest rate swaps | 1.7 | 1.7 | (0.9) | (0.9) |
| | 2,313.5 | 2,349.1 | 2,448.5 | 2,467.5 |

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of unsecured bank loans is stated net of debt issuance costs and the fair value is stated gross of debt issuance costs and is calculated using the market interest rates.

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 31 December 2014, 31 December 2015, 31 December 2016, 30 September 2016 and 30 September 2017. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

***Fair Value Hierarchy***

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* |
| **1 January 2015** | | | | |
| Derivative financial instruments | – | 0.1 | – | 0.1 |
| Interest bearing loans and borrowings | – | 2,324.3 | – | 2,324.3 |
| **31 December 2015** | | | | |
| Derivative financial instruments | – | 1.9 | – | 1.9 |
| Interest bearing loans and borrowings | – | 2,330.7 | – | 2,330.7 |
| **31 December 2016** | | | | |
| Derivative financial instruments | – | 0.7 | – | 0.7 |
| Interest bearing loans and borrowings | – | 2,343.8 | – | 2,343.8 |
| **30 September 2016** | | | | |
| Derivative financial instruments | – | 1.7 | – | 1.7 |
| Interest bearing loans and borrowings | – | 2,347.4 | – | 3,347.4 |
| **30 September 2017** | | | | |
| Derivative financial instruments | – | (0.9) | – | (0.9) |
| Interest bearing loans and borrowings | – | 2,479.0 | – | 2,479.0 |

There have been no transfers between levels in 2014, 2015, 2016 or 2017. No other financial instruments are held at fair value.

***Capital Management***

The capital structure of the Group consists of the following items:

| | *1 January 2015* | *31 December 2015* | *31 December 2016* | *30 September 2016* | *30 September 2017* |
|---|---|---|---|---|---|
| | *$m* | *$m* | *$m* | *$m* | *$m* |
| Cash and cash equivalents | 147.0 | 219.6 | 246.5 | 186.9 | 189.5 |
| Bank loans | 965.3 | 950.3 | 945.8 | 944.8 | 1,090.2 |
| Senior notes | 1,252.4 | 1,255.2 | 1,258.1 | 1,257.4 | 1,260.3 |
| | 2,364.7 | 2,425.1 | 2,450.4 | 2,389.1 | 2,540.0 |

The Cineworld Directors have reviewed the current gearing ratio, being the ratio of bank debt to equity and consider it appropriate for the Group's current circumstances. Ratios used in the monitoring of debt capital include the ratio of adjusted EBITDA to net debt.

The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, to provide returns for shareholders and to optimise the capital structure to reduce the cost of capital. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

## 22. Operating Leases

Non-cancellable operating lease rentals commitments are as follows:

| | *Land and buildings $m* | *Other $m* | *53 weeks ended 1 January 2015 $m* | *Land and buildings $m* | *Other $m* | *12 months ended 31 December 2015 $m* | *Land and buildings $m* | *Other $m* | *12 months ended 31 December 2016 $m* |
|---|---|---|---|---|---|---|---|---|---|
| Less than one year | 418.2 | 7.0 | 425.2 | 421.5 | 6.9 | 428.4 | 420.0 | 6.9 | 426.9 |
| Between one and five years | 1,396.2 | 27.8 | 1,424.0 | 1,380.8 | 27.7 | 1,408.5 | 1,329.2 | 27.5 | 1,356.7 |
| More than five years | 1,115.6 | 32.2 | 1,147.8 | 1,150.8 | 25.2 | 1,176.0 | 1,109.8 | 18.2 | 1,128.0 |
| | 2,930.0 | 67.0 | 2,997.0 | 2,953.1 | 59.8 | 3,012.9 | 2,859.0 | 52.6 | 2,911.6 |

| | *Land and buildings $m* | *Other $m* | *9 months ended 30 September 2016 $m (unaudited)* | *Land and buildings $m* | *Other $m* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|---|
| Less than one year | 418.6 | 6.9 | 425.5 | 437.9 | 6.9 | 444.8 |
| Between one and five years | 1,336.0 | 27.6 | 1,363.6 | 1,362.5 | 27.1 | 1,389.6 |
| More than five years | 1,126.2 | 20.0 | 1,146.2 | 1,297.5 | 13.5 | 1,311.0 |
| | 2,880.8 | 54.5 | 2,935.3 | 3,097.9 | 47.5 | 3,145.4 |

***Lease Arrangements***

The majority of the Group's leased theatres are subject to lease agreements with original terms of 15 to 20 years or more and, in most cases, renewal options for up to an additional 10 to 20 years. These leases provide for minimum annual rentals and the renewal options generally provide for rent increases. Some leases require, under specified conditions, further rental payments based on a percentage of revenues above specified amounts.

## 23. Capital Commitments

Capital commitments at the end of the financial year for which no provision has been made:

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Contracted | 28.3 | 67.0 | 106.0 | 106.0 | 145.0 |

Capital commitments at the end of the current and preceding financial year relate to new sites and refurbishment of old sites.

## 24. Related Parties

The compensation of the Regal Directors is as follows:

| | *53 weeks ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| Salaries and fees including bonuses | 0.8 | 0.7 | 0.6 | 0.5 | 0.5 |
| Stock awards and dividends | 1.1 | 1.0 | 0.9 | 0.7 | 0.7 |
| **Total compensation for Directors** | 1.9 | 1.7 | 1.5 | 1.2 | 1.2 |

***Other Related Party Transactions***

*AC JV, LLC*

The Group maintains an investment in AC JV, LLC (AC JV), a Delaware limited liability company owned 32% by each of the Group, AMC and Cinemark and 4% by National CineMedia, AC JV owns and manages the Fathom Events business. Transactions entered into with the Fathom events business were as follows:

| | *Distributions Received $000* | *Revenue Received $000* | *Expenses incurred $000* | *Amounts receivable $000* | *Amounts payable $000* |
|---|---|---|---|---|---|
| 53 weeks ended 1 January 2015 | – | 12,046 | 9,651 | – | 602 |
| 12 months ended 31 December 2015 | 1,600 | 15,161 | 11,485 | – | 612 |
| 12 months ended 31 December 2016 | 1,600 | 15,366 | 11,308 | – | 1,751 |
| 9 months ended 30 September 2016 (unaudited) | – | 10,816 | 7,997 | – | 1,763 |
| 9 months 30 September 2017 | – | 18,055 | 13,207 | – | 3,471 |

*Open Road Films*

The Group maintained an investment in Open Road Films, a film distribution company jointly owned by the Group and AMC. Transactions entered into with Open Road Films were as follows:

| | *Distributions Received $000* | *Revenue Received $000* | *Expenses incurred $000* | *Amounts receivable $000* | *Amounts payable $000* |
|---|---|---|---|---|---|
| 53 weeks ended 1 January 2015 | – | 2,084 | – | 4,165 | 1,730 |
| 12 months ended 31 December 2015 | – | 1,954 | – | 2,351 | 10,000 |
| 12 months ended 31 December 2016 | – | 2,896 | 2,900 | 2,760 | 10,000 |
| 9 months ended 30 September 2016 (unaudited) | – | 1,140 | 7,480 | 3,950 | – |
| 9 months ended 30 September 2017 | – | 1,714 | – | 3,795 | 1,730 |

*National CineMedia LLC*

The Group maintains an investment in National CineMedia. National CineMedia provides in-theatre advertising for its theatrical exhibition partners, which include the Group, AMC and Cinemark. Transactions entered into with National Cinemedia LLC were as follows:

| | *Distributions Received $000* | *Revenue Received $000* | *Expenses incurred $000* | *Amounts receivable $000* | *Amounts payable $000* |
|---|---|---|---|---|---|
| 53 weeks ended 1 January 2015 | 23,333 | 23,829 | – | – | 4,167 |
| 12 months ended 31 December 2015 | 40,030 | 27,473 | – | – | 5,556 |
| 12 months ended 31 December 2016 | 39,107 | 28,344 | – | – | 6,944 |
| 9 months ended 30 September 2016 (unaudited) | 27,560 | 22.300 | – | – | 4,167 |
| 9 months ended 30 September 2017 | 24,993 | 21,238 | – | – | 5,556 |

*RealD, Inc.*

The Group maintains an investment in RealD, Inc., an entity specialising in the licensing of 3D technologies. The Group accounts for its investment in RealD, Inc. as a marketable security. Transactions entered into with Real D, Inc. were as follows:

| | *Distributions Received $000* | *Revenue Received $000* | *Expenses incurred $000* | *Amounts receivable $000* | *Amounts payable $000* |
|---|---|---|---|---|---|
| 53 weeks ended 1 January 2015 | – | – | 4,041 | – | 2,138 |
| 12 months ended 31 December 2015 | – | – | 3,638 | – | 3,453 |
| 12 months ended 31 December 2016 | – | – | 2,699 | – | 3,453 |
| 9 months ended 30 September 2016 (unaudited) | – | – | 1,499 | – | – |
| 9 months ended 30 September 2017 | – | – | 2,772 | – | 2,996 |

*Digital Cinema Implementation Partners*

The Group maintains an investment in Digital Cinema Implementation Partners, LLC, a Delaware limited liability company (**DCIP**). DCIP is a joint venture company formed by Regal, AMC and Cinemark. Transactions entered into with DCIP were as follows:

| | *Distributions Received $000* | *Revenue Received $000* | *Expenses incurred $000* | *Amounts receivable $000* | *Amounts payable $000* |
|---|---|---|---|---|---|
| 53 weeks ended 1 January 2015 | 9,695 | – | 476 | 137 | 855 |
| 12 months ended 31 December 2015 | 2,008 | – | 3,910 | 797 | 1,061 |
| 12 months ended 31 December 2016 | 6,304 | – | 6,513 | 1,307 | 1,457 |
| 9 months ended 30 September 2016 (unaudited) | 8,430 | – | (2,351) | 39 | 1,122 |
| 9 months ended 30 September 2017 | – | – | 764 | 172 | 1,646 |

## 25. Subsequent events

On 5 December 2017, Cineworld, Regal, Holdco and MergerCo entered into an agreement and plan of merger (the **Merger Agreement**) under which Cineworld has agreed to acquire, for cash, the entire issues and to be issued share capital of Regal on the terms and subject to the conditions of the Merger Agreement. The acquisition will be implemented by way of a merger in accordance with the laws of the State of Delaware at a price of US$23.00 per Regal share.

## 26. Reconciliation of US GAAP to IFRS

This note summarises the adjustments between the consolidated historical Regal US GAAP financial information and the consolidated historical Regal IFRS financial information for each of the historical periods reported as explained in note 1. The adjustments below show the impact on the Statement of Other Comprehensive and the Consolidated Statement of Financial Position. As required by IFRS 1 the IFRS opening Statement of Financial Position as at 1 January 2014 has been presented.

***Other Comprehensive Income Statement***

| | *53 week period ended 1 January 2015 $m* | *12 months ended 31 December 2015 $m* | *12 months ended 31 December 2016 $m* | *9 months ended 30 September 2016 $m (unaudited)* | *9 months ended 30 September 2017 $m* |
|---|---|---|---|---|---|
| **Regal US GAAP (Other comprehensive income)** | (106.6) | (152.7) | (171,1) | 115.9 | 84.5 |
| IFRS adjustment 1 – Onerous lease | (14.5) | (1.4) | (16.0) | (10.1) | (12.1) |
| IFRS adjustment 2 – PPE impairment | (7.7) | (18.2) | (10.3) | (17.4) | (0.6) |
| IFRS adjustment 3 – NCM investment | (1.1) | – | (164.6) | (3.7) | (7.2) |
| IFRS adjustment 4 – Tax | 2.7 | (7.7) | (10.5) | (10.9) | (5.0) |
| *Total IFRS adjustments* | *(3.0)* | *11.9* | *11.2* | *12.9* | *14.9* |
| Regal IFRS (Other comprehensive income) | 164.6 | 164.6 | 182.3 | 128.8 | 99.7 |

***Consolidated Statement of Financial Position***

| | *31 December 2013 $m* | *1 January 2015 $m* | *31 December 2015 $m* | *31 December 2016 $m* | *30 September 2016 $m (unaudited)* | *30 September 2017 $m* |
|---|---|---|---|---|---|---|
| **Regal US GAAP (Deficit)** | (715.7) | (897.2) | (877.6) | (838.9) | (861.4) | (855.2) |
| IFRS adjustment 1 – Onerous lease | (53.4) | (67.9) | (66.5) | (50.5) | (56.4) | (38.4) |
| IFRS adjustment 2 – PPE impairment | (48.2) | (40.5) | (22.3) | (12.0) | (4.9) | (11.4) |
| IFRS adjustment 3 – NCM investment | (158.5) | (157.4) | (157.4) | (162.0) | (161.1) | (154.8) |
| IFRS adjustment 4 – Tax | 103.3 | 106.0 | 98.3 | 87.8 | 87.4 | 82.8 |
| *Regal IFRS adjustment brought forward* | – | *(156.8)* | *(159.8)* | *(147.9)* | *(147.9)* | *(136.7)* |
| *IFRS adjustments in the year* | *(156.8)* | *(3.0)* | *11.9* | *11.2* | *12.9* | *14.9* |
| Regal IFRS (Deficit) | (872.5) | (1,057.0) | (1,025.5) | (975.5) | (996.4) | (977.0) |

***IFRS Adjustment 1 – Onerous lease provision:***

Under IFRS a provision should be made for onerous leases, where it is considered that the unavoidable costs of the lease obligations are in excess of the economic benefits expected to be received from operating it. The unavoidable costs of the lease reflect the lowest net cost of exiting from the contract and are measured as the lower of the net cost of continuing to operate the lease or any penalties or other costs from exiting it. Under US GAAP, a liability cannot be recorded for amounts related to contractual lease obligations until the cinema has ceased to be used by the Group. An adjustment has been made to recognise sites where an onerous lease provision is required in the opening balance sheet and for each reporting period, along with the associated provision releases and the unwind of the finance charges.

| | 31 December 2013 $m | 53 weeks ended 1 January 2015 $m | 12 months ended 31 December 2015 $m | 12 months ended 31 December 2016 $m | 9 months ended 30 September 2016 $m (unaudited) | 9 months ended 30 September 2017 $m |
|---|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | | |
| Increase onerous lease provision – administrative expenses | – | (24.3) | (11.1) | (0.1) | – | – |
| Utilisation of onerous lease provision – administrative expenses | – | 10.7 | 13.6 | 17.1 | 10.9 | 12.9 |
| Unwind of finance charge – finance expenses | – | (0.9) | (1.1) | (1.0) | (0.8) | (0.8) |
| **Total** | – | (14.5) | 1.4 | 16.0 | 10.1 | 12.1 |
| **Equity** | | | | | | |
| Onerous lease provision – provisions | (53.4) | (67.9) | (66.5) | (50.5) | (56.4) | (38.4) |
| **Total** | (53.4) | (67.9) | (66.5) | (50.5) | (56.4) | (38.4) |

***IFRS Adjustment 2 – Property, plant and equipment impairment:***

Under IFRS accounting standards property, plant and equipment must be assessed for impairment where indicators of impairment exist. This is done by comparing the carrying value of property plant and equipment to its recoverable amount, which in the majority of cases is measured as its value in use but where information is available this could also be the fair value less cost to sell. Estimating the value in use requires an estimate to be made of the expected future cash flows for each cash generating unit, and discounting these cash flows to their net present value at a determined discount rate which is appropriate for the territory where the assets are held. An adjustment has been made to recognise additional impairments when applying the IFRS accounting standard guidance which results in different impairments to that followed under US GAAP which does not include the discounting. Reversals of depreciation have also been made where the IFRS treatment results in impairments being taken in earlier periods than they would have under US GAAP.

| | 31 December 2013 $m | 53 weeks ended 1 January 2015 $m | 12 months ended 31 December 2015 $m | 12 months ended 31 December 2016 $m | 9 months ended 30 September 2016 $m (unaudited) | 9 months ended 30 September 2017 $m |
|---|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | | |
| Depreciation reversal | – | 9.2 | 12.7 | 14.7 | 11.0 | 10.8 |
| Impairment | – | (1.5) | 5.5 | (4.4) | 6.4 | (10.2) |
| **Total** | – | 7.7 | 18.2 | 10.3 | 17.4 | 0.6 |
| **Equity** | | | | | | |
| Impairment – property, plant and equipment | (48.2) | (40.5) | (22.3) | (12.0) | (4.9) | (11.4) |
| **Total** | (48.2) | (40.5) | (22.3) | (12.0) | (4.9) | (11.4) |

***IFRS Adjustment 3 – NCM Investment***

In 2007, NCM (an equity-accounted investee) made a distribution in excess of Regal's investment balance, as a result of which the carrying amount of this investment was reduced down to zero ("Initial Tranche") with the excess amount recorded in the statement of profit or loss. Subsequently Regal received additional shares in NCM under common unit adjustment agreement ("Subsequent Tranches") – see note 11 for more details.

Different accounting treatments have been applied for different tranche, as allowed under US GAAP:

- Initial Tranche – as the carrying amount of initial tranche was reduced down to zero and Regal has not recognised its share of loss of the investee resulting from the above excess distribution, recognition of share of profit of NCM (attributable to "Initial Tranche") was discontinued until such share of profits, net of future distributions ("attributable to "Initial Tranche") received, exceed the excess distribution as described above. Until such time, cash dividends attributable to initial tranches were recognised in the statement of profit or loss

- "Subsequent Tranches" – new shares received under common unit adjustment were first recorded at fair value. Subsequent to initial recognition, carrying amount was increased by share of profit attributable to these tranches and reduced by related cash distributions.

Under IFRS there is no concept of separating equity-accounted investee into tranches; the investment is looked at as a single holding. Hence no share of profit or additional shares received can be recognised, until such share of profits plus additional shares received, net of future distributions,exceeds the original excess distribution as explained above. That position has not yet been reached (resulting in the carrying amount of investment to be zero). Until such time, cash distributions received from NCM (offset by any value ascribed to new shares received) are effectively included in the statement of profit or loss under IFRS. The effect of this transitional adjustment is set out below:

| | 31 December 2013 $m | 53 weeks ended 1 January 2015 $m | 12 months ended 31 December 2015 $m | 12 months ended 31 December 2016 $m | 9 months ended 30 September 2016 $m (unaudited) | 9 months ended 30 September 2017 $m |
|---|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | | |
| Share of profits from associates using equity accounting method, net of tax | – | 1.1 | – | (4.6) | (3.7) | 7.2 |
| **Total** | – | 1.1 | – | (4.6) | (3.7) | 7.2 |
| **Equity** | | | | | | |
| Investments | (158.5) | (157.4) | (157.4) | (162.0) | (161.1) | (154.8) |
| **Total** | (158.5) | (157.4) | (157.4) | (162.0) | (161.1) | (154.8) |

***IFRS Adjustment 4 – Tax***

As a result of the IFRS accounting adjustments in relation to the onerous lease provisions, the property, plant and equipment impairment and NCM investment associated deferred tax adjustments have been made to the Regal financial statements.

| | 31 December 2013 $m | 53 weeks ended 1 January 2015 $m | 12 months ended 31 December 2015 $m | 12 months ended 31 December 2016 $m | 9 months ended 30 September 2016 $m (unaudited) | 9 months ended 30 September 2017 $m |
|---|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | | |
| Tax charge | – | 2.7 | (7.7) | (10.5) | (10.9) | (5.0) |
| **Total** | – | 2.7 | (7.7) | (10.5) | (10.9) | (5.0) |
| **Equity** | | | | | | |
| Deferred income tax | 103.3 | 106.0 | 98.3 | 87.8 | 87.4 | 82.8 |
| **Total** | 103.3 | 106.0 | 98.3 | 87.8 | 87.4 | 82.8 |

**Opening Statement of Financial Position**

| | *1 January 2014* *$m* |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 1,461.4 |
| Goodwill | 320.4 |
| Other intangible assets | 1.8 |
| Investments in equity-accounted investee | 117.5 |
| Other receivables | 69.4 |
| Deferred tax | 152.4 |
| **Total non-current assets** | 2,122.9 |
| **Current assets** | |
| Assets held for sale | 0.1 |
| Inventories | 18.9 |
| Trade and other receivables | 152.4 |
| Cash and cash equivalents | 280.9 |
| **Total current assets** | 452.3 |
| **Total assets** | 2,575.2 |
| **Current liabilities** | |
| Interest-bearing loans, borrowings and other financial liabilities | 28.5 |
| Trade and other payables | 469.2 |
| Current taxes payable | 8.3 |
| Provisions | 13.3 |
| **Total current liabilities** | (519.3) |
| **Non-current liabilities** | |
| Interest-bearing loans, borrowings and other financial liabilities | 2,249.5 |
| Other payables | 595.9 |
| Provisions | 83.0 |
| **Total non-current liabilities** | (2,928.4) |
| **Total liabilities** | (3,447.7) |
| **Net liabilities** | (872.5) |
| **Equity attributable to equity holders of the Group** | |
| Share capital | 0.1 |
| Share premium | (782.9) |
| Hedging reserves | (2.6) |
| Non-controlling interest | (1.9) |
| Retained earnings | (85.2) |
| **Total deficit** | (872.5) |

The process and assumptions for impairments is set out in detail in note 9.

The discount rate applied as at 1 January 2014 in the impairment calculations was 10.4%.

Set out below is the total impairment charge when applying different assumptions to the growth discount rates used in the first two years and discount rate and the level of cash flows forecast

| | *1 January 2014* |
|---|---|
| | *$m* |
| 1 percentage point increase to the discount rates | 4.1 |
| 2 percentage point increase to the discount rates | 5.6 |
| 10% reduction in cashflows | 5.1 |

KPMG

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**Accountant's Report on Historical Financial Information**

The Directors
Cineworld Group plc
8th Floor
Vantage London
Great West Road
Brentford TW8 9AG

17 January 2018

Ladies and Gentlemen

**Regal Entertainment Group**

We report on the financial information of Regal Entertainment Group set out on pages 155 to 228 of the combined Class 1 circular and prospectus dated 17 January 2018 of Cineworld Group plc (the 'Document') for the 53 weeks ended 1 January 2015, the financial year ended 31 December 2015, the financial year ended 31 December 2016 and the nine months ended 30 September 2017. This report is required by paragraph 13.5.21R of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the nine months ended 30 September 2016 of Regal Entertainment Group which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

**Responsibilities**

The Directors of Cineworld Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Document.

**Basis of Opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of Regal Entertainment Group as at 1 January 2015, 31 December 2015, and 31 December 2016 and 30 September 2017 and of its profits, recognised gains and losses, cash flows and changes in equity for the 53 weeks ended 1 January 2015, the financial year ended 31 December 2015 and the financial year ended 31 December 2016 and the nine months ended 30 September 2017 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

**KPMG LLP**

# PART X

# UNAUDITED PRO FORMA FINANCIAL INFORMATION

**Basis of preparation**

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Rights Issue and Acquisition on the net assets of Cineworld as if the Rights Issue, the Debt Financing and the Acquisition had taken place on 30 September 2017 and on the consolidated statement of profit or loss of Cineworld as if the Rights Issue and Acquisition had taken place on 1 January 2016 (together the **Unaudited Pro Forma Financial Information**). The Unaudited Pro Forma Financial Information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net assets of the Enlarged Group is based on the unaudited consolidated net assets of Cineworld as at 30 September 2017 and has been prepared on the basis that the Rights Issue and Acquisition had taken place on 30 September 2017 and in a manner consistent with the accounting policies adopted by Cineworld in preparing the audited financial statements for FY 2017.

The unaudited pro forma statement of profit or loss of the Enlarged Group is based on the consolidated profits of Cineworld for FY 2016 and has been prepared on the basis that the Rights Issue and Acquisition were effective at 1 January 2016 and in a manner consistent with the accounting policies adopted by Cineworld in preparing the audited financial statements for FY 2017.

Because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results. It may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation.

## Unaudited Pro Forma Statement of Net Assets of the Enlarged Group as at 30 September 2017

| | *Cineworld Group Note 1 £m* | *Equity raised by Rights Issue Note 2 £m* | *Sub-total Note 3 £m* | *Regal Group Note 4 US$m* | *Regal Group Note 5 £m* | *Repayment of Cineworld debt Note 6 £m* | *Repayment or redemption of Regal debt Note 7 £m* | *Proceeds from debt drawdown Note 8 £m* | *Acquisition of Regal Note 9 £m* | *Trans-action costs Note 10 £m* | *Pro Forma £m* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | | | | | |
| Other intangible assets | 48.1 | – | 48.1 | 14.8 | 11.0 | – | – | – | – | – | 59.1 |
| Goodwill | 669.5 | – | 669.5 | 345.8 | 258.1 | – | – | – | 3,358.1 | – | 4,285.7 |
| Property, plant and equipment | 500.4 | – | 500.4 | 1,473.9 | 1,099.9 | – | – | – | – | – | 1,600.3 |
| Deferred taxes | – | – | – | 139.0 | 103.7 | – | – | – | – | – | 103.7 |
| Investment in equity-accounted investee | 1.0 | – | 1.0 | 242.5 | 181.0 | – | – | – | – | – | 182.0 |
| Other receivables | 6.0 | – | 6.0 | 50.2 | 37.5 | – | – | – | – | – | 43.5 |
| **Total non-current assets** | **1,225.0** | **–** | **1,225.0** | **2,266.2** | **1,691.2** | **–** | **–** | **–** | **3,358.1** | **–** | **6,274.3** |
| **Current assets** | | | | | | | | | | | |
| Asset held for sale | – | – | – | 0.9 | 0.7 | – | – | – | – | – | 0.7 |
| Inventories | 10.8 | – | 10.8 | 23.9 | 17.8 | – | – | – | – | – | 28.6 |
| Trade and other receivables | 73.0 | – | 73.0 | 108.2 | 80.7 | – | – | – | – | – | 153.7 |
| Cash and cash equivalents | 19.4 | 1,720.2 | 1,739.6 | 189.5 | 141.4 | (327.0) | (1,766.0) | 2,990.3 | (2,628.6) | (144.0) | 5.7 |
| **Total current assets** | **103.2** | **1,720.2** | **1,823.4** | **322.5** | **240.6** | **(327.0)** | **(1,766.0)** | **2,990.3** | **(2,628.6)** | **(144.0)** | **188.7** |
| **Total assets** | **1,328.2** | **1,720.2** | **3,048.4** | **2,588.7** | **1,931.8** | **(327.0)** | **(1,766.0)** | **2,990.3** | **729.5** | **(144.0)** | **6,463.0** |

| | *Cineworld Group Note 1 £m* | *Equity raised by Rights Issue Note 2 £m* | *Sub-total Note 3 £m* | *Regal Group Note 4 US$m* | *Regal Group Note 5 £m* | *Repayment of Cineworld debt Note 6 £m* | *Repayment or redemption of Regal debt Note 7 £m* | *Proceeds from debt drawdown Note 8 £m* | *Acquisition of Regal Note 9 £m* | *Trans-action costs Note 10 £m* | *Pro Forma £m* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Long-term liabilities** | | | | | | | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (326.4) | – | (326.4) | (2,424.2) | (1,809.1) | 312.0 | 1,747.0 | (2,966.3) | – | 48.0 | (2,994.8) |
| Employee benefits | (1.9) | – | (1.9) | – | – | – | – | – | – | – | (1.9) |
| Deferred taxes | (10.3) | – | (10.3) | – | – | – | – | – | – | – | (10.3) |
| Provisions | (8.0) | – | (8.0) | (45.2) | (33.7) | – | – | – | – | – | (41.7) |
| Other payables | (91.4) | – | (91.4) | (675.6) | (504.3) | – | – | – | – | – | (595.7) |
| **Total non-current liabilities** | **(438.0)** | **–** | **(438.0)** | **(3,145.0)** | **(2,347.1)** | **312.0** | **1,747.0** | **(2,966.3)** | **–** | **48.0** | **(3,644.4)** |
| **Current liabilities** | | | | | | | | | | | |
| Interest bearing loans, borrowings and other financial liabilities | (13.2) | – | (13.2) | (25.3) | (18.9) | 12.0 | 19.0 | (24.0) | – | – | (25.1) |
| Bank overdrafts | (3.8) | – | (3.8) | – | – | 3.0 | – | – | – | – | (0.8) |
| Current taxes payable | (15.2) | – | (15.2) | (7.1) | (5.3) | – | – | – | – | – | (20.5) |
| Trade and other accounts payable | (126.2) | – | (126.2) | (365.1) | (272.5) | – | – | – | – | – | (398.7) |
| Provisions | (7.0) | – | (7.0) | (23.4) | (17.5) | – | – | – | – | – | (24.5) |
| **Total current liabilities** | **(165.4)** | **–** | **(165.4)** | **(420.9)** | **(314.2)** | **15.0** | **19.0** | **(24.0)** | **–** | **–** | **(469.6)** |
| **Total liabilities** | **(603.4)** | **–** | **(603.4)** | **(3,565.9)** | **(2,661.3)** | **327.0** | **1,766.0** | **(2,990.3)** | **–** | **48.0** | **(4,114.0)** |
| **Total net assets** | **724.8** | **1,720.2** | **2,445.0** | **(977.2)** | **(729.5)** | **–** | **–** | **–** | **729.5** | **(96.0)** | **2,349.0** |

**Notes:**

(1) The net assets of Cineworld Group as at 30 September 2017 have been extracted without adjustment from the unaudited interim financial information as at and for the period ended 30 September 2017 set out in Part VIII of this document.

(2) The adjustment in Note 2 reflects the receipt of the proceeds of the Rights Issue by Qualifying Shareholders of 1,095,662,872 shares at 157 pence per share. The proceeds receivable by the Company are £1,720.2 million. Cineworld Group intends to use the proceeds of the Rights Issue towards the funding of the acquisition.

(3) The pro forma statement sub-total reflects the Cineworld Group immediately following the Rights Issue and assuming that the Rights Issue occurred on 30 September 2017. This pro forma sub-total is presented on the basis that no acquisition of Regal Group has yet occurred.

(4) The net assets of Regal Group as at 30 September 2017 have been extracted without adjustment from the historical financial information set out in Part IX of this document.

(5) The individual assets and liabilities of Regal as at 30 September 2017 have been translated into GBP using a US Dollar exchange rate of 1.34 which represents the Bank of England closing rate as at 30 September 2017.

(6) The adjustment in Note 6 reflects the settlement of the existing Cineworld Group debt of £327.0 million (including €54 million translated at exchange rate of 1.15) present in the 30 September 2017 balance sheet. This is funded from the Enlarged Group's existing cash balances.

(7) The adjustment in Note 7 reflects the settlement of the existing Regal Group debt of £1,766.0 million ($2,364.7 translated at exchange rate of 1.34) present in the 30 September 2017 balance sheet.

(8) The adjustment in Note 8 reflects the receipt of the net proceeds of the current and non-current debt draw down on completion of the $4,007.0 million facility. The drawdown is expected to occur in the following currencies: USD3,007.0 million in USD, USD400.0 million in GBP and USD600 million in EUR, converted at the following 30 September 2017 exchange rate: USD1.34 to £1. The currency allocations and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.

(9) The adjustment in Note 9 reflects the acquisition of Regal by Cineworld Group. The consideration payable to Regal shareholders will consist of a cash payment of $3,627.5 million (converted at USD:GBP rate of 1.38 which is the latest practicable rate for this pro forma - source: Bloomberg). The goodwill generated on acquisition reflects total consideration of £2,628.6 million plus net liabilities of Regal of £729.5 million (included in note 5). The goodwill balance created on acquisition has not yet been analysed and presented in accordance with IFRS 3 Business Combinations. The Cineworld Group expects to undertake a fair value exercise following Completion to enable the Cineworld Directors to identify individual intangible assets and make any fair value adjustments required.

(10) The adjustment in Note 10 reflects the total transaction costs of £144.0 million incurred as part of the Acquisition and the related work performed. Of these costs, £96.0 million relate solely to the cost of acquiring Regal and the Rights Issue and have therefore been presented in equity as they would be expensed in accordance with IFRS 3, Business Combinations. The remaining costs of £48.0 million directly relate to the securing of the debt facilities summarised in Note 5 above. In accordance with IAS 39 Financial Instruments: Recognition and Measurement these have been presented net against the gross current and non-current debt drawn down in Note 8 as prepaid interest costs and will be amortised over the 7 year term of the debt.

(11) No adjustment has been made to reflect the trading results of Cineworld or Regal since 30 September 2017 or any other change in their financial positions in these periods.

**Unaudited Pro Forma Statement of Profit or Loss of the Enlarged Group for the 12 months ended 31 December 2016**

| | | | | *Adjustments* | | | |
|---|---|---|---|---|---|---|---|
| *Pro forma* | *Cineworld Group Note 1 £m* | *Regal Group Note 2 US$m* | *Regal Group Note 3 £m* | *Financing costs under existing debt financing Note 4 £m* | *Financing costs paid under new debt financing Note 5 £m* | *Tax impact of financing costs Note 6 £m* | *Pro forma £m* |
| **Revenue** | 797.8 | 3,193.3 | 2,348.0 | – | – | – | 3,145.8 |
| Cost of sales | (584.8) | (2,393.5) | (1,759.9) | – | – | – | (2,344.7) |
| **Gross profit** | **213.0** | **799.8** | **588.1** | **–** | **–** | **–** | **801.1** |
| Other operating income | 2.7 | 1.5 | 1.1 | – | – | – | 3.8 |
| Administrative expenses | (102.9) | (436.5) | (321.0) | – | – | – | (423.9) |
| **Operating profit** | **112.8** | **364.8** | **268.2** | **–** | **–** | **–** | **381.0** |
| Finance income | 3.0 | 1.0 | 0.7 | – | – | – | 3.7 |
| Finance expenses | (17.6) | (130.1) | (95.7) | 99.9 | (124.5) | – | (137.9) |
| **Net finance costs** | **(14.6)** | **(129.1)** | **(95.0)** | **99.9** | **(124.5)** | **–** | **(134.2)** |
| Share of profits from jointly controlled entities using equity accounting method, net of tax | – | 67.7 | 49.9 | – | – | – | 49.9 |
| **Profit on ordinary activities before tax** | **98.2** | **303.4** | **223.1** | **99.9** | **(124.5)** | | **296.7** |
| Tax charge on profit on ordinary activities | (16.2) | (121.7) | (89.5) | – | – | 9.8 | (95.9) |
| **Profit on ordinary activities after tax** | **82.0** | **181.7** | **133.6** | **99.9** | **(124.5)** | **9.8** | **200.8** |
| Non-controlling interest | – | (0.1) | (0.1) | – | – | – | (0.1) |
| **Profit for the period attributable to equity holders of the Group** | **82.0** | **181.6** | **133.5** | **99.9** | **(124.5)** | **9.8** | **200.7** |

**Notes:**

(1) The income statement of Cineworld Group has been extracted without adjustment from its audited annual accounts for FY 2016 incorporated by reference into this document.

(2) The income statement of Regal Group has been extracted without material adjustment from the income statement of Regal for FY 2016 as set out in Part IX of this document.

(3) The income statement for Regal Group has been translated using a US Dollar exchange rate of 1.36 which represents the Bloomberg average rate for the year ended 31 December 2016.

(4) The adjustment in Note 4 reflects the removal of the Cineworld Group and Regal Group interest costs associated with the existing debt arrangements for the year ended 31 December 2016.

(5) The adjustment in Note 5 reflects the pro forma annual interest cost for the Combined Group had the debt arrangements post acquisition been in place from 1 January 2016 giving a total interest charge of £124.5 million. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): USD3,007.0 million in USD at 4.5%, USD 400.0 million in GBP at 4.0%, and USD600 million in EUR at 3.0% converted at the following exchange rate USD 1.36:£1 (based on the 2016 average exchange rates, source Bloomberg) applicable for the year ended 31 December 2016. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.

(6) The adjustment in Note 6 reflects the tax adjustment for the changes in the interest costs shown above, calculated as £9.8 million.

(7) No adjustment has been made to reflect the trading results of Cineworld or Regal since 31 December 2016 or any other change in their financial positions in this period.

(8) All the above adjustments have a continuing impact.

KPMG

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**Accountant's Report on Pro Forma Financial Information**

The Directors
Cineworld Group plc
8th Floor
Vantage London
Great West Road
Brentford TW8 9AG

17 January 2018

Ladies and Gentlemen

**Cineworld Group plc**

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part X of the combined Class 1 circular and prospectus dated 17 January 2018 of Cineworld Group plc (the 'Document'), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the proposed rights issue, debt financing and acquisition of Regal Entertainment Group might have affected the financial information presented on the basis of the accounting policies to be adopted by Cineworld Group plc in preparing the financial statements for the year ended 31 December 2017. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and paragraph 20.2 of Annex 1 of the Prospectus Directive Regulation and is given for the purpose of complying with those paragraphs and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of Cineworld Group plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided or which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of the report in the Document, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Cineworld Group plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Cineworld Group plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Cineworld Group plc.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

# PART XI

# TAXATION

## PART A: UNITED KINGDOM TAXATION

### 1. General

The following statements:

(A) do not constitute tax advice and are intended to apply only as a general guide to the position under current UK tax law and the published practice of HMRC as at the date of this document, either of which is subject to change at any time (possibly with retrospective effect);

(B) relate only to certain limited aspects of the UK taxation treatment of Qualifying Shareholders and are intended to apply only to Qualifying Shareholders who:

  (i) are resident and (in the case of individuals) domiciled in (and only in) the UK for UK tax purposes (unless the context otherwise requires) and to whom split-year treatment does not apply;

  (ii) hold their Ordinary Shares as investments (other than in an individual savings account, self-invested personal pension or as carried interest); and

  (iii) are the beneficial owners of their Ordinary Shares; and

(C) may not apply to certain classes of Qualifying Shareholders such as, for example, dealers in securities, trustees, insurance companies, collective investment schemes and Qualifying Shareholders who have (or who are deemed to have) acquired their Ordinary Shares by virtue of an office or employment.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult an appropriate professional tax adviser without delay.

### 2. Taxation of chargeable gains

2.1 ***Rights Issue***

(A) *Issue of New Ordinary Shares*

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares by the Company to Qualifying Shareholders who take up their rights under the Rights Issue should constitute a reorganisation of the Company's share capital. On that basis, a Qualifying Shareholder should not be treated as making a disposal of any part of his or her Existing Holding by reason of taking up all or part of his or her entitlement to acquire New Ordinary Shares under the Rights Issue. No liability to UK taxation on chargeable gains should arise in respect of the issue of New Ordinary Shares if a Qualifying Shareholder takes up his or her full entitlement to New Ordinary Shares. For the purposes of the taxation of chargeable gains, if a Qualifying Shareholder takes up all or any of his or her rights to the New Ordinary Shares, his or her Existing Ordinary Shares and his or her New Ordinary Shares should be treated as the same asset, acquired at the time he or she acquired his or her Existing Holding. The amount of subscription money paid for the New Ordinary Shares will be added to the base cost of his or her Existing Ordinary Shares when computing any gain or loss on any subsequent disposal.

(B) *Disposal or lapse of rights to acquire New Ordinary Shares*

If a Qualifying Shareholder:

  (i) sells or otherwise disposes of all or some of his or her rights to subscribe for New Ordinary Shares; or

(ii) allows or is deemed to allow all or any part of his or her rights to subscribe for New Ordinary Shares to lapse and receives a cash payment in respect of them,

the proceeds will be treated as a capital distribution to that Qualifying Shareholder by the Company, he or she shall be treated as if he or she had disposed of a part of his or her Existing Holding and he or she may, depending on his or her circumstances, incur a liability to taxation on any chargeable gains. However, if the proceeds resulting from a lapse or disposal of rights to subscribe for New Ordinary Shares are "small" as compared with the market value (on the date of lapse or disposal) of that Qualifying Shareholder's Existing Holding, such a Qualifying Shareholder should not generally be treated as making a disposal for the purposes of the taxation of chargeable gains. The proceeds will instead reduce the base cost of that Qualifying Shareholder's Existing Ordinary Shares used to compute any chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply where such proceeds are greater than the base cost of that Qualifying Shareholder's Existing Ordinary Shares.

The current practice of HMRC is to treat proceeds as "small" where either (i) the proceeds of the disposal or lapse of rights do not exceed five per cent. of the market value (at the date of the disposal or lapse) of the Existing Holding in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the five per cent. test is satisfied. Whether proceeds are small needs to be considered on a case-by-case basis having regard to the circumstances of each case.

2.2 ***Subsequent Disposals of New Ordinary Shares***

(A) *Individual Qualifying Shareholders*

A disposal of New Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of UK capital gains tax.

An individual Qualifying Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his or her New Ordinary Shares, are less than or equal to the upper limit of the income tax basic rate band applicable to him or her in respect of that tax year (the **Band Limit**) will generally be subject to capital gains tax at the flat rate of 10 per cent. in respect of any gain arising on a disposal or deemed disposal of his or her New Ordinary Shares.

An individual Qualifying Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his or her New Ordinary Shares, are more than the Band Limit will generally be subject to capital gains tax at the flat rate of 10 per cent. in respect of any gain arising on a disposal or deemed disposal of his or her New Ordinary Shares (to the extent that, when added to the Qualifying Shareholder's other taxable gains and income in that tax year, the gain is less than or equal to the Band Limit) and at the flat rate of 20 per cent. in respect of the remainder.

No indexation allowance will be available to an individual Qualifying Shareholder in respect of any disposal of New Ordinary Shares. However, most individuals have an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £11,300 for the tax year 2017-2018.

Individuals who are temporarily non-resident may, in certain circumstances, be subject to tax in respect of gains realised while they are not resident in the UK.

(B) *Corporate Qualifying Shareholders*

Where a Qualifying Shareholder is within the charge to UK corporation tax, a disposal of New Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of corporation tax.

Corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that company. It should be noted for the purposes of calculating any indexation allowance available on a disposal of New Ordinary Shares that generally the expenditure incurred in acquiring the New Ordinary Shares will be treated as incurred only when the Qualifying Shareholder made, or became liable to make, payment, and not at the time those shares are otherwise deemed to have been acquired. For disposals on or after 1 January 2018, the Government has announced that it intends to freeze indexation allowance such that it will be calculated only up to and including December 2017, irrespective of the date of disposal of New Ordinary Shares.

## 3. Taxation of dividends

The Company is not required to withhold tax at source from dividend payments it makes.

### 3.1 *Individuals*

The tax treatment of dividends paid by the Company to Qualifying Shareholders who are individuals will be as follows.

– All dividends received by an individual will, except to the extent that they are earned through an individual savings account, self-invested pension plan or other regime that exempts the dividends from tax, form part of that individual's total income for income tax purposes and will represent the highest part of that income.

– A nil rate of income tax will apply to the first £5,000 of taxable dividend income received by a Qualifying Shareholder in a tax year (the **Nil Rate Amount**), regardless of what tax rate would otherwise apply to that dividend income. The Nil Rate Amount will reduce to £2,000 with effect from 6 April 2018.

– Any taxable dividend income received by a Qualifying Shareholder in a tax year in excess of the Nil Rate Amount will be taxed at the rates set out below. That tax will be applied to the amount of the dividend income actually received by the Qualifying Shareholder.

Where a Qualifying Shareholder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the **Relevant Dividend Income**) will, subject to the availability of any income tax personal allowance, be liable to income tax at the following rates for the 2017-2018 tax year:

– at the rate of 7.5 per cent., to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;

– at the rate of 32.5 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and

– at the rate of 38.1 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Qualifying Shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Qualifying Shareholder's total income for income tax purposes.

### 3.2 *Companies*

A Qualifying Shareholder within the charge to UK corporation tax which is a "small company" (for the purposes of UK taxation of dividends) will not generally be subject to tax on dividends from the

Company, provided certain conditions are met. In general dividends paid where (i) at the time of the payment the payer is resident in the UK or a qualifying territory; (ii) no deduction for the payment of the dividend is allowed; (iii) the dividend is not in respect of any non-commercial or special securities; and (iv) the dividend is not made as part of a tax advantage scheme, should fall within an exempt class.

Other holders of Qualifying Shares within the charge to UK corporation tax will not be subject to UK tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general: (i) dividends paid on non-redeemable shares that do not carry any present or future preferential rights to dividends or to the payer's assets on its winding-up, and (ii) dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made) and who is entitled to less than 10 per cent. of the profits available for distribution and would be entitled to less than 10 per cent. of the assets available for distribution on a winding-up, are examples of dividends that fall within an exempt class, subject to certain targeted and general anti-avoidance rules.

**4. Stamp duty and SDRT**

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position and apply regardless of whether or not a Qualifying Shareholder is resident in the UK.

(A) ***Issue of New Ordinary Shares and issue or crediting of rights to New Ordinary Shares***

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, split Provisional Allotment Letters or definitive share certificates, on the crediting of Nil Paid Rights or Fully Paid Rights to accounts in CREST, or on the issue in uncertificated form of New Ordinary Shares.

Where New Ordinary Shares represented by such documents or rights are registered in the name of the Qualifying Shareholder entitled to such shares, or where New Ordinary Shares are credited in uncertificated form to CREST, no liability to stamp duty or SDRT will generally arise.

Following the decision of the European Court of Justice in *HSBC Holdings and Vidacos Nominees* (Case 569/07) and the First-tier Tax Tribunal decision in *HSBC Holdings and The Bank of New York Mellon*, HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when new shares are issued into a clearance service or depositary receipt service.

(B) ***Purchase of rights to New Ordinary Shares***

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration of renunciation, will not generally be liable to pay stamp duty. However, an unconditional agreement to transfer rights to New Ordinary Shares will be chargeable to SDRT. This is usually at the rate of 0.5 per cent. of the consideration. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. Accountability for SDRT follows a strict hierarchy, so in other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters should be the accountable party and must therefore account for the SDRT to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HMRC by CREST.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renouncees.

(C) ***Subsequent dealings in New Ordinary Shares***

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), any subsequent dealings in New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer New Ordinary Shares is not completed by a duly stamped transfer, or where the transfer is effected in CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable.

Where New Ordinary Shares are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the New Ordinary Shares. There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in the Company into such an account and on subsequent agreements to transfer such shares within such account. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system. Specific professional advice should be sought before transferring shares to a person within (a) or (b) of this paragraph.

## PART B: UNITED STATES TAXATION

### 1. US Federal Income Tax Considerations

The following is a summary of US federal income tax considerations that are generally applicable to the receipt, exercise, expiration and disposition of Nil Paid Rights and the ownership and disposition of Fully Paid Rights received through the exercise of Nil Paid Rights (for the purposes of this Part B of this Part XI only, together the **Rights**) pursuant to the Rights Issue, as well as the ownership and disposition of New Ordinary Shares, in either case, by a US Holder (as defined below). This summary deals only with US Holders that receive Nil Paid Rights pursuant to the Rights Issue, Fully Paid Rights through exercise of Nil Paid Rights or New Ordinary Shares through the ownership of Fully Paid Rights and hold those Nil Paid Rights, Fully Paid Rights and New Ordinary Shares, in each case, as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (for the purposes of this Part B of this Part XI only, the **Code**). The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt, exercise, expiration or disposition of Rights or the ownership or disposition of New Ordinary Shares by particular investors in light of their individual investment circumstances. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under US federal income tax law (such as banks, financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, regulated investment companies or real estate investment trusts, tax-exempt organisations, brokers or dealers in securities or currencies or traders in securities that elect to use a mark- to-market method of accounting, investors that will hold the New Ordinary Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, US expatriates, investors whose functional currency is not USD, S corporations and persons holding Rights or New Ordinary Shares in connection with a permanent establishment or fixed base outside the United States). This summary does not address any tax consequences arising under any state, local or non-US tax laws, the Medicare tax on "net investment income" or any other US federal tax laws.

This summary is based on the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof. These authorities are subject to differing interpretations and may change, possibly retroactively, resulting in US federal income tax consequences different from those discussed below. We have not requested, and will not request, a ruling from the United States Internal Revenue Service (**IRS**) with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and describe herein, or that such contrary position would not be sustained by a court.

For purposes of this discussion, a "US Holder" is a beneficial owner of Nil Rights or New Ordinary Shares who is, for US federal income tax purposes: (1) an individual who is a citizen or resident of the United States; (2) a corporation or any other entity treated as a corporation that is organised in or under the laws of the United States, any state thereof or the District of Columbia; (3) a trust if all of the trust's substantial decisions are subject to the control of one or more US persons and the primary supervision of the trust is subject to a US court, or if a valid election is in effect with respect to the trust to be taxed as a US person; or (4) an estate the income of which is subject to US federal income taxation regardless of its source.

The US federal income tax treatment of a partner in a partnership (or owner of other business entity treated as a partnership for US federal income tax purposes) that holds Rights or New Ordinary Shares will depend on the status of the partner and the activities of the partnership. Partnerships (and entities that are treated as partnerships for US federal income tax purposes) and persons holding Rights or New Ordinary Shares through such partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the receipt, ownership, exercise, expiration and disposition of Rights or New Ordinary Shares by the partnership.

THE SUMMARY OF US FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE RECEIPT, OWNERSHIP, EXERCISE, EXPIRATION AND DISPOSITION OF THE RIGHTS OR NEW ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

## 2. Taxation in Respect of Rights

### (a) *Receipt of Nil Paid Rights*

Based on the particular facts relating to the Nil Paid Rights and the sale by the Underwriters of New Ordinary Shares, the Company believes that the distribution of Nil Paid Rights should not be treated as a taxable stock dividend under Section 305(a) of Code. The application of Section 305 of the Code to the Rights Issue is not clear in several respects, and it is possible that the IRS will take a contrary view. If the IRS takes such contrary view and Section 305 of the Code is applied to the distribution, a US Holder who receives a Nil Paid Right pursuant to the Rights Issue could, in certain circumstances, be treated as having received a taxable distribution in an amount equal to the value, if any, of such Nil Paid Right. One such instance would be where as a result of the Rights Issue, a Shareholder's proportionate interest in the earnings and profits or assets of the Company is increased while any other Shareholder (or deemed Shareholder) receives a distribution (or deemed distribution) of cash or other property from the Company. If Section 305 of the Code is applied, there is also a risk that a holder of Existing Ordinary Shares who, in connection with the Rights Issue, receives net proceeds (the premiums) from the sale by the Underwriters of New Ordinary Shares could be treated as receiving cash from the Company rather than treated as having received the corresponding Nil Paid Rights and then selling either the Nil Paid Rights or the corresponding New Ordinary Shares. If some holders of Existing Ordinary Shares are treated as receiving cash from the Company, the receipt of Nil Paid Rights by others (to the extent it results in a proportionate increase in the assets or earnings and profits of the Company) could be treated as a taxable stock dividend. For further discussion of taxation of dividends, see "*Taxation in Respect of New Ordinary Shares—Dividends*" below. US Holders are strongly urged to consult their tax advisers regarding the risk of having a taxable distribution as a result of the receipt of a Nil Paid Right. The remainder of this discussion assumes that the receipt of the Nil Paid Rights will not be a taxable event for US federal income tax purposes.

(b) ***Tax Basis and Holding Period in Nil Paid Rights***

If, on the date of receipt, the fair market value of Nil Paid Rights is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which Nil Paid Rights are received, Nil Paid Rights will be allocated a zero tax basis unless the US Holder affirmatively elects to allocate a portion of such US Holder's adjusted tax basis in its Existing Ordinary Shares to the Nil Paid Rights in proportion to the relative fair market values of the US Holder's Existing Ordinary Shares and Nil Paid Rights received determined on the date of receipt. This election must be made in the US Holder's timely filed US federal income tax return for the taxable year in which Nil Paid Rights are received and is irrevocable. The election will apply to all of the Nil Paid Rights received by the US Holder pursuant to the Rights Issue. US Holders should consult their own tax advisers regarding the advisability of making such an election and the specific procedures for doing so.

If, on the date of receipt, the fair market value of Nil Paid Rights is 15 per cent. or more of the fair market value of the Existing Ordinary Shares with respect to which Nil Paid Rights are received, then, except as discussed below ("*Expiration of Nil Paid Rights*"), the US Holder's adjusted tax basis in its Existing Ordinary Shares must be allocated between the Existing Ordinary Shares and Nil Paid Rights received in proportion to their fair market values determined on the date of receipt.

A US Holder's holding period for Nil Paid Rights will include the US Holder's holding period in the underlying Existing Ordinary Shares with respect to which the Nil Paid Rights were distributed (whether or not basis is allocated to the Nil Paid Rights).

(c) ***Sale or Other Taxable Disposition of Nil Paid Rights***

Upon a sale or other taxable disposition of Nil Paid Rights by a US Holder, a US Holder will generally recognise gain or loss equal to the difference, if any, between the USD value of the amount of cash or other consideration received upon disposition and the US Holder's adjusted tax basis in the Nil Paid Rights. Any gain or loss generally will be US source capital gain or loss and will be a long-term capital gain or loss if the US Holder's holding period in the Nil Paid Rights exceeds one year. If the US Holder is not a corporation, long-term capital gains are generally eligible for reduced rates of taxation. The deductibility of capital losses may be subject to limitations.

The amount realised on a sale or other taxable disposition of the Nil Paid Rights for amounts paid in a currency other than USD will be the USD value of the payment received (as determined on the date of the sale or other disposition). On the settlement date, the US Holder generally will recognise foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the USD value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of the Nil Paid Rights traded on an established securities market (as defined under the applicable Treasury regulations) that are sold by a cash basis US Holder (or an accrual basis US Holder that properly elects such treatment), the amount realised will be based on the USD value of the foreign currency as determined by translating the amount paid at the spot rate of exchange on the settlement date of the sale. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. It is unclear if this exception will apply to any sale of the Nil Paid Rights because it is uncertain whether an active trading market on an established securities market will develop for the Nil Paid Rights.

(d) ***Expiration of Nil Paid Rights***

If a US Holder allows the Nil Paid Rights to expire without selling or exercising them and does not receive any proceeds from the sale of Rights by the Underwriters, the holder will not recognise any loss upon the expiration of the Nil Paid Rights. Upon expiration, if the US Holder had previously allocated to the Nil Paid Rights a portion of the basis in the underlying Existing Ordinary Shares held by the US Holder, that basis will be reallocated to such Existing Ordinary Shares.

(e) ***Exercise of Nil Paid Rights***

A US Holder will generally not recognise income upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights.

A US Holder that exercises Nil Paid Rights received in this Rights Issue within 30 days of disposing of the Existing Ordinary Shares with respect to which the Nil Paid Rights were received at a loss is urged to consult a tax adviser regarding the potential application of the "wash sale" rules under Section 1091 of the Code.

(f) ***Basis and Holding Period of Fully Paid Rights***

A US Holder's basis in the Fully Paid Rights will equal the sum of the USD value of the Rights Issue Price determined at the spot rate on the date of exercise (or in the case of cash basis and electing accrual basis taxpayers, the settlement date) and the US Holder's basis, if any, in the Nil Paid Rights exercised to obtain the Fully Paid Rights. For a discussion of differing treatment of cash basis and electing accrual basis taxpayers, refer to the discussion above ("*Taxation in Respect of Rights—Sale or Other Taxable Disposition of Nil Paid Rights*").

A US Holder's holding period for Fully Paid Rights will begin with and include the date of exercise of the underlying Nil Paid Rights exercised to obtain the Fully Paid Rights.

(g) ***Sale or Other Taxable Disposition of Fully Paid Rights***

Upon a sale or other taxable disposition of Fully Paid Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the USD value of the amount cash or other consideration received upon disposition (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Fully Paid Rights. Any gain or loss is expected to be US source short-term capital gain or loss. Short-term capital gains of a US Holder are generally taxed at the same rates as ordinary income. The deductibility of capital losses may be subject to limitations. For the US federal income taxation of an amount realised in a currency other than USD from a sale or other disposition of the Fully Paid Rights, refer to the discussion above ("*Taxation in Respect of Rights—Sale or Other Taxable Disposition of Nil Paid Rights*").

(h) ***Receipt of New Ordinary Shares***

A US Holder should not recognise gain or loss on the issuance of New Ordinary Shares upon exercise of such holder's Fully Paid Rights. A US Holder's basis in New Ordinary Shares received through issuance of Fully Paid Rights will equal the US Holder's basis in the Fully Paid Rights with respect to which the New Ordinary Shares were issued.

A US Holder's holding period for the New Ordinary Shares received will not include the US Holder's corresponding holding period for its Nil Paid Right. The holding period of the New Ordinary Shares received will, however, include the US Holder's holding period in the corresponding Fully Paid Right.

## 3. Taxation in Respect of New Ordinary Shares

(a) ***Dividends***

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Ordinary Shares and thereafter as capital gain. However, the Company does not maintain and does not intend to maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution made by the Company to such US Holder will be reported as a dividend. A dividend distribution will generally be treated as foreign source "passive" income for US foreign tax credit purposes. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

With respect to individuals and certain other non-corporate US Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that: (1) the Company is eligible for benefits of the income tax treaty between the United States and the United Kingdom (which the Company believes to be the case); (2) the Company is not a PFIC with respect to the US Holder for either the taxable year in which the dividend is paid or the preceding taxable year; (3) certain holding period requirements are met; and (4) the US Holder is not under an obligation to make a related payment with respect to positions in substantially similar or related property.

Dividends paid in a currency other than USD will be included in income in a USD amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the foreign currency dividends are converted into USD at that time. If dividends received in a currency other than USD are converted into USD on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. If instead the foreign currency is converted at a later date, any currency gains or losses resulting from the conversion of the foreign currency will be treated as US source ordinary income or loss.

(b) ***Sale or Other Taxable Disposition***

A US Holder's tax basis in a New Ordinary Share will generally be the USD cost of a Fully Paid Right as described above in paragraph 2(h) above ("*Taxation in Respect of Rights—Receipt of New Ordinary Shares*").

A US Holder generally will recognise capital gain or loss on a sale or other taxable disposition of New Ordinary Shares equal to the difference, if any, between the amount of cash or other consideration received on the sale or other taxable disposition and the US Holder's adjusted tax basis in the New Ordinary Shares. This capital gain or loss generally will be long-term capital gain or loss if the US Holder's holding period in the New Ordinary Shares exceeds one year. However, regardless of a US Holder's actual holding period, any loss may be long term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under "*Taxation in Respect of New Ordinary Shares—Dividends*" and exceeds 10 per cent. of the US Holder's basis in (or, in certain cases, the fair market value of) its New Ordinary Shares. As discussed above, if the US Holder is not a corporation, long-term capital gains for taxable dispositions of New Ordinary Shares are generally eligible for reduced rates of taxation. Any capital gain or loss will generally be US source gain or loss for US foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

The amount realised on a sale or other disposition of New Ordinary Shares for an amount in a currency other than USD will be the USD value of this amount on the date of sale or disposition. On the settlement date, the US Holder generally will recognise a foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the USD value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Ordinary Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time. Any currency gain or loss realised on the settlement date or on a subsequent conversion of a currency other than USD into USD will generally be US source ordinary income or loss.

## 4. Disposition of a Currency Other than USD

A US Holder's tax basis in a currency other than USD received on the sale or other disposition of a Nil Paid Right or Fully Paid Right will be equal to the USD amount realised on such sale or disposition. A currency other than USD received on the sale or other disposition of a New Ordinary Share will have a tax basis equal to its USD value on the settlement date. Any gain or loss recognised on a sale or other disposition of a currency other than USD will be US source ordinary income or loss.

**5. Passive Foreign Investment Company Considerations**

The Company believes that it was not a passive foreign investment company (PFIC) for US federal income tax purposes in its previous taxable year and does not expect to become a PFIC in its current taxable year. A non-US corporation is a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The determination of PFIC status must be made annually, is fact specific and may be affected by changes in the Company's activities, revenue and assets subsequent to the Rights Issue, and there can be no assurance in this regard. Accordingly, it is possible that the Company may become a PFIC in the current taxable year or in future years. If the Company were to be treated as a PFIC for any taxable year when a US Holder owns or owned the New Ordinary Shares, materially adverse consequences could result to such US Holders for that year and all future years during which such US Holder retains such shares, regardless of whether the Company continues to meet the PFIC test. The discussion above assumes that the Company is not, has not been and will not become, a PFIC.

# PART XII

# DIRECTORS, RESPONSIBLE PERSONS, CORPORATE GOVERNANCE AND EMPLOYEES

## 1. Persons responsible

The Company and the Cineworld Directors accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Cineworld Directors (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

## 2. Cineworld Directors

The following table sets out information relating to each of the Cineworld Directors as at the date of this document:

| *Name* | *Age* | *Current position in respect of Cineworld* |
|---|---|---|
| **Executive Directors:** | | |
| Moshe (Mooky) Greidinger | 65 | Chief Executive Officer |
| Israel Greidinger | 56 | Deputy Chief Executive Officer |
| Nisan Cohen | 45 | Chief Financial Officer |
| **Non-Executive Directors:** | | |
| Anthony Bloom | 78 | Chairman |
| Alicja Kornasiewicz | 66 | Non-Executive Director |
| Dean Moore | 60 | Non-Executive Director |
| Julie Southern | 58 | Non-Executive Director |
| Eric (Rick) Senat | 68 | Non-Executive Director |
| Scott S. Rosenblum | 68 | Non-Executive Director |
| Arni Samuelsson | 75 | Non-Executive Director |

The business address of the Cineworld Directors is 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG.

## 3. Directors' Profiles

***Anthony Bloom (Chairman)***

Anthony Bloom joined the Board in October 2004 as Chairman and has served as Chairman of Cine-UK Limited since the business was founded in 1995. He was previously Chairman and Chief Executive of The Premier Group Limited (South Africa) and a director of Barclays Bank (South Africa), South African Breweries and Liberty Life Assurance. Mr Bloom holds Bachelor of Commerce and Bachelor of Law (*cum laude*) degrees from the University of Witwatersrand in South Africa and a Masters of Law degree from Harvard Law School. He was a Sloan Fellow at the Stanford Graduate School of Business. In 2002, Mr Bloom was awarded the degree of Doctor of Law (H.C.) by the University of Witwatersrand in recognition of his contribution towards the establishment of a non-racial society in South Africa.

***Mooky Greidinger (Chief Executive Officer)***

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

"Exhibitor of the Year Award" at ShoWest in Las Vegas in 2004, "International Exhibitor of the Year Award" at CineEurope, in Amsterdam in 2011, with special recognition for having developed new markets in Central and Eastern Europe, and the "Global Achievement in Exhibition Award" at CinemaCon in Las Vegas in April 2016. Mr Greidinger has also served for the last 12 years as head of the Board of Trustees of the Hebrew Reali School of Haifa.

***Israel Greidinger (Deputy Chief Executive Officer)***

Israel Greidinger joined the Board in February 2014 as Chief Operating Officer. In August 2014, his role changed to deputy Chief Executive Officer. From 1994 until 2014, he worked for CCI and was appointed Chief Financial Officer of CCI in 1995. Mr Greidinger has also served as a Director of Israel Theatres Limited since 1994. From 1985 to 1992, he was Managing Director of C.A.T.S. Limited (Computerised Automatic Ticket Sales), and from 1992 to 1994, he was President and Chief Executive Officer of Pacer C.A.T.S. Inc. He is the son of the late Coleman Greidinger and the brother of Mooky Greidinger. Mr Greidinger is also the Chairman of the Israeli Friends of Rambam Health Care Campus.

***Nisan Cohen (Chief Financial Officer)***

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

***Alicja Kornasiewicz (Non-Executive Director)***

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

***Dean Moore (Non-Executive Director)***

Dean Moore joined the Board in January 2017 as an independent Non-Executive Director. He is Chair of the Remuneration Committee and a member of the Audit Committee. Previously he acted as interim Chief Financial Officer, for a period of 10 months, where his mandate was to focus on the Chief Financial Officer succession planning process. Prior to this, Mr Moore worked as Chief Financial Officer of N Brown Group plc for 11 years from 2004 to 2015, before which he was Chief Financial Officer of T&S Stores plc until it was acquired by Tesco plc in early 2003. From 1996 to 1999 he was Chief Financial Officer of Graham Group plc, and he has held a number of other senior finance positions since he qualified as a chartered accountant. Mr Moore is a Non-Executive Director, Audit Committee Chair, and Senior Independent Director of Volex Plc.

***Scott S. Rosenblum (Non-Executive Director)***

Scott S. Rosenblum joined the Board in February 2014 as a non-independent Non-Executive Director. He is a member of the Nomination Committee. Prior to appointment, he was a member of the Supervisory Board of CCI since 2004. He became Chairman of the Supervisory Board of CCI on 14 November 2011. He was also Chairman of the Remuneration Committee and the Appointment Committee of CCI from November 2006 and was a member of the Audit Committee. He is licensed as a lawyer and is admitted to the New York Bar Association. For the past 20 years, he has been a partner in the law firm of Kramer Levin Naftalis & Frankel LLP, New York, and was Managing Partner between 1994 and 2000. Mr Rosenblum is on the Executive Committee of Kramer Levin Naftalis & Frankel LLP and is Co-Chairman of its Corporate

Department. He is currently a Director of Investec USA Holdings Corp and Investec Securities (US) LLC. Mr Rosenblum is a graduate of Dartmouth College and the University of Pennsylvania Law School. Mr Rosenblum has extensive experience of management of an international law firm and of corporate governance and disclosure matters. In addition, he has extensive experience and expertise in areas of general corporate and securities law, corporate finance, mergers and acquisitions and joint ventures.

***Arni Samuelsson (Non-Executive Director)***

Arni Samuelsson joined the Board in February 2014 as an independent Non-Executive Director. He is a member of the Nomination Committee. He has over 40 years of cinema exhibition and film distribution experience, principally through SAMfélagið (Samfilm) – a cinema exhibitor and film distributor in Iceland, of which he has been joint owner and Chief Executive Officer since it was formed in 1975. He has been Chief Executive Officer of Samfilm EHF (SAMfélagið's distribution arm) since 1975, and Chief Executive Officer of SAMcinema (SAMfélagið's cinema arm) since the same year. Prior to this, Mr Samuelsson was a Director and owner of Vikurbaer, a supermarket business in Keflavik, from 1972 until its sale in 1982.

***Rick Senat (Non-Executive Director)***

Rick Senat joined the Board in July 2010 and is Chair of the Nomination Committee and a member of the Remuneration Committee. He is also Senior Independent Director. He has over 40 years' experience in the film industry. Rick joined Warner Bros in 1976, becoming its Senior Vice-President for Business Affairs in Europe. Among the projects with which he was closely associated are the "*Harry Potter*" films, "*Greystoke*", "*Batman*", "*Superman"* and many more. He retired from Warner Bros after 25 years' service. He was a director of the legendary and recently revived film company Hammer Film Productions, and has served as Vice Chair of the British Film Institute. He was until recently a partner in the Blair Partnership – a literary agency, and a non-Executive Director of Pottermore Limited and Bank Leumi (UK) plc. He is currently Non-Executive Chairman of the London Film Museum and Non-Executive Chairman of Mad Dog Casting Limited. Mr Senat is a graduate of University College London and a solicitor.

***Julie Southern (Non-Executive Director)***

Julie Southern joined the Board in May 2015 as an independent Non-Executive Director. Julie is Chair of the Audit Committee and a member of the Remuneration Committee. Julie has decades of experience as a Chief Financial Officer and Chief Commercial Officer, driving strategy, revenue and commercial planning. She has worked across multiple industry sectors and sizes of organisation including PwC, WH Smith, Porsche Cars and Virgin Atlantic. Julie is currently a Non-Executive Director and Chair of the Audit Committee at Rentokil-Initial Plc since 2014, a Non-Executive Director and Chair of the Audit Committee at DFS Furniture Plc since 2015, a Non-Executive Director and member of the Audit Committee at NXP Semiconductors N.V. since 2013 and a Non-Executive Director and Chair of Remuneration Committee of Stagecoach Group Plc since 2016.

## 4. Interests of the Cineworld Directors

### 4.1 *Interests of the Cineworld Directors in Ordinary Shares*

As at the Latest Practicable Date, the interests of the Cineworld Directors, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) the persons closely associated with them (within the meaning of the Market Abuse Regulation) in Ordinary Shares, including those arising pursuant to transactions notified to Cineworld pursuant to the Market Abuse Regulation, together with such interests as are expected to subsist immediately following the Rights Issue (assuming that each Cineworld Directors take up his or her rights to New Ordinary Shares in full):

| | *As at the Latest Practicable Date* | | *Immediately following the Rights Issue* | |
|---|---|---|---|---|
| | *Number of Ordinary Shares* | *Per cent of issued share capital of Cineworld* | *Number of Ordinary Shares held after the Rights Issue*(3) | *Per cent. of issued share capital of Cineworld after the Rights Issue*(3) |
| **Cineworld Directors** | | | | |
| Mooky Greidinger | 76,745,598(1) | 28.02 | 383,727,990 | 28.02 |
| Israel Greidinger | 76,707,654(1) | 28.00 | 383,538,270 | 28.00 |
| Nisan Cohen | Nil | Nil | Nil | Nil |
| Anthony Bloom | 2,208,006(2) | 0.81 | 11,040,030 | 0.81 |
| Alicja Kornasiewicz | Nil | Nil | Nil | Nil |
| Dean Moore | Nil | Nil | Nil | Nil |
| Scott S. Rosenblum | 16,877 | 0.01 | 84,385 | 0.01 |
| Arni Samuelsson | Nil | Nil | Nil | Nil |
| Rick Senat | 53,874 | 0.02 | 269,370 | 0.02 |
| Julie Southern | Nil | Nil | Nil | Nil |

**Notes:**

(1) Includes Ordinary Shares held by the Major Shareholder. Shares in the Major Shareholder are held in trust for the benefit of the children of Mooky Greidinger and Israel Greidinger (Israel Greidinger's entire interest in the Major Shareholder was transferred to a trust for the benefit of his children on 6 September 2015 and Mooky Greidinger's entire interest in the Major Shareholder was transferred to a trust for the benefit of his children on 13 October 2016).

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

(3) Assuming each Cineworld Director takes up his rights to New Ordinary Shares in full.

Taken together, the combined percentage interest of the Cineworld Directors in the issued share capital of Cineworld as at the Latest Practicable Date was approximately 28.88 per cent. Pursuant to the GCH-Cineworld Undertaking and the CGH-Regal Undertaking, the Major Shareholder has agreed to take up its pro rata entitlement under the Rights Issue. It is therefore expected that Mooky Greidinger and Israel Greidinger will be interested in 383,727,990 and 383,538,270 Ordinary Shares respectively immediately following completion of the Rights Issue.

Details of options over Ordinary Shares and interests in the Employee Share Schemes held by the Cineworld Directors are set out below in Section 4.2 of this Part XII. They are not included in the interests of the Cineworld Directors shown in the table above.

### 4.2 *Interests of Cineworld Directors in Ordinary Shares pursuant to the Employee Share Schemes*

A description of each of the Employee Share Schemes can be found at Section 9 of this Part XII.

In addition to their interests as detailed above, as at the Latest Practicable Date, the Cineworld Directors held the following options in respect of Ordinary Shares, and awards of Ordinary Shares, under the terms of the Employee Share Schemes:

(i) *Cineworld Group Sharesave Scheme*

No Cineworld Director holds any interest in respect of Ordinary Shares under the Cineworld Group's Sharesave Scheme.

(ii) *Cineworld Group Performance Share Plan*

| *Name of Director* | *At 31 Dec 2016* | *Awarded* | *Lapsed* | *Exercised* | *At Latest Practicable Date* | *Exercise price* | *Date from which exercisable*[5] | *Expiry date* |
|---|---|---|---|---|---|---|---|---|
| Israel Greidinger | 162,619[1] | – | – | 162,619 | – | £Nil | June 2017 | Dec 2017 |
| | 117,065[2] | – | – | – | 117,065 | £Nil | April 2018 | Oct 2018 |
| | 102,645[3] | – | – | – | 102,645 | £Nil | April 2019 | Oct 2019 |
| | – | 85,925[4] | – | – | 85,925 | £Nil | April 2020 | Oct 2020 |
| Mooky Greidinger | 238,508[1] | – | – | 238,508 | – | £Nil | June 2017 | Dec 2017 |
| | 171,696[2] | – | – | – | 171,696 | £Nil | April 2018 | Oct 2018 |
| | 150,547[3] | – | – | – | 150,547 | £Nil | April 2019 | Oct 2019 |
| | – | 126,024[4] | – | – | 126,024 | £Nil | April 2020 | Oct 2020 |
| Nisan Cohen | 9,015 | – | – | – | 9,015 | £Nil | June 2017[6] | April 2018 |
| | 3,277 | – | – | – | 3,277 | £Nil | April 2018[6] | Oct 2018 |
| | 7,500 | – | – | – | 7,500 | £Nil | April 2019[6] | Oct 2019 |
| | – | 25,931[4] | – | – | 25,931 | £Nil | April 2020 | Oct 2020 |

**Notes:**

(1) Mid-market closing price of a Cineworld share on 5 June 2014, the day before grant, was £3.459.

(2) Mid-market closing price of a Cineworld share on 22 April 2015, the day before grant, was £4.805.

(3) Mid-market closing price of a Cineworld share on 15 April 2016, the day before grant, was £5.48.

(4) Mid-market closing price of a Cineworld share on 11 April 2017, the day before grant, was £6.71.

(5) Subject to the satisfaction of the relevant performance conditions (details of which are set out below).

(6) Awards made to Nisan Cohen under the Performance Share Plan relating to periods prior to his becoming a Cineworld Director are not subject to the performance conditions applicable to Executive Directors.

(iii) *Cineworld Group Company Share Option Plan*

No Cineworld Director holds any interest in respect of Ordinary Shares under the Cineworld Group Company Share Option Plan as at the Latest Practicable Date.

(iv) *Cineworld Group Long Term Incentive Plan*

No Cineworld Director holds any interest in respect of Ordinary Shares under the Cineworld Group Long Term Incentive Plan as at the Latest Practicable Date.

## 5. Remuneration and benefits

This section provides information on the remuneration arrangements for the Cineworld Directors. As required by UK law, Cineworld's remuneration policy was approved by Shareholders at its 2017 AGM.

The aggregate remuneration for the Executive Directors for FY 2016 was £4,823,000 (2015: £3,648,500).

Salaries for the SMT are reviewed annually by the Remuneration Committee. The Board approves the overall budget for employee salary increase and the Remuneration Committee agrees the specific increases for the SMT. For the members of the SMT below the level of the Board, the Remuneration Committee receives a recommendation from the Chief Executive Officer which it reviews and approves as appropriate. In determining appropriate salary levels, the Remuneration Committee takes into account the progress made by the Cineworld Group and also the packages received by similar individuals in companies whose activities are comparable with the Cineworld Group. Salaries for the Executive Directors are set with reference to individual responsibilities, skill, experience and performance.

Details of the remuneration for the Cineworld Directors for FY 2016 are as follows:

| | *Fees/ Basic Salary £000s* | *Annual Bonus £000s* | *Benefits £000s* | *Total LTI £000s* | *Pension contributions £000s* | *Total inc. pension contributions 31 Dec. 2016 £000s* | *Total inc. pension contributions 31 Dec. 2015 £000s* |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Mooky Greidinger | 557 | 437 | 84 | 1,419 | 91 | 2,588 | 1,213 |
| Israel Greidinger | 380 | 298 | 77 | 968 | 60 | 1,783 | 849 |
| **Non-Executive Directors** | | | | | | | |
| Anthony Bloom | 175 | – | – | – | – | 175 | 175 |
| Alicja Kornasiewicz | 50 | – | – | – | – | 50 | 30 |
| Julie Southern | 70 | – | – | – | – | 70 | 39 |
| Rick Senat | 65 | – | – | – | – | 65 | 61 |
| Scott S. Rosenblum | 50 | – | – | – | – | 50 | 50 |
| Arni Samuelsson | 50 | – | – | – | – | 50 | 50 |
| **Totals** | 1,397 | 735 | 161 | 2,387 | 151 | 4,831 | 2,467 |

Nisan Cohen and Dean Moore were appointed to the board in January 2017 and as a result did not receive remuneration as Cineworld Directors during FY 2016.

(a) ***Executive Directors***

Executive Directors' remuneration currently comprises an annual salary, a performance-related bonus, a share-based long-term incentive scheme, pension contributions and other benefits as explained below.

The level of the performance-related bonus is determined by the Remuneration Committee based on the overall performance of the Cineworld Group in meeting its primary Adjusted EBITDA financial objectives. The individual performance element for the Chief Executive Officer and the Deputy Chief Executive Officer for 2016 focused on the strategic growth agenda of the Cineworld Group. Emphasis was placed on successful openings of new cinemas on time and on budget, and the subsequent management of those new sites from an operational point of view. Other factors considered in assessing performance included the identification and development of acquisition targets, successfully delivering results from the Cineworld Group's renovation programme, the effectiveness of steps taken to improve the customer experience, the introduction of the latest technology, and the implementation of the Cineworld Group's IT strategy.

In addition, the Executive Directors receive further benefits, including a company car or car allowance, private mileage, life insurance, permanent health insurance, private medical cover and, for the Chief Executive Officer and deputy Chief Executive Officer, a disturbance allowance.

The Executive Directors are, under the terms of their service contracts, entitled to an annual review of their base salary each year. The Remuneration Committee compares the Cineworld Group's remuneration packages for its Executive Directors and employees with those for directors and employees of similar seniority in companies whose activities are broadly comparable with the Cineworld Group. It also takes into account the progress made by the Cineworld Group, contractual considerations and salary increases across the rest of the Cineworld Group. The salaries of the Chief Executive Officer and Deputy Chief Executive Officer were increased by 2.5 per cent. with effect from 1 July 2016.

(b) ***Non-Executive Directors***

Remuneration for Non-Executive Directors, other than the Chairman (whose fee is determined by the Remuneration Committee), is determined by the Board after taking into account appropriate advice, and no Non-Executive Director participates in discussions relating to the setting of his or her own remuneration.

The fees for the Non-Executive Directors were reviewed following completion of the Cinema City Combination in light of the significant increase in the size and complexity of the Cineworld Group. The adjusted fee levels were set in order to be comparable with equivalent fees in companies of broadly similar size and complexity. There was no increase in the fees paid to the Chairman or the Non-Executive Directors during 2016, save for the Chair of the Audit Committee, whose fee was increased from £15,000 per annum to £20,000 per annum with effect from 1 January 2016.

The basic fee for a Non-Executive Director is £50,000 per annum. No additional fee is paid for being a member of a particular committee, however an additional fee of £10,000 is paid to the Senior Independent Director and the Chair of the Remuneration Committee, and the chairmen of the Audit and Nomination Committees receive an additional fee of £20,000 per annum and £5,000 per annum respectively. The Non-Executive Directors do not receive any share options, bonuses or other performance-related payments, nor do they receive any pension entitlement or other benefits apart from expenses in relation to travel costs to attend Board meetings, including related sustenance and accommodation.

## 6. Directors' service contracts and letters of appointment

### 6.1 *Cineworld Directors' service contracts and letters of appointment*

| | *Contract Date* | *Notice Period* |
|---|---|---|
| **Executive Directors** | | |
| Mooky Greidinger | 27 February 2014 | 12 months |
| Israel Greidinger | 27 February 2014 | 6 months |
| Nisan Cohen | 11 January 2017 | 6 months |
| **Non-Executive Directors** | | |
| Anthony Bloom | 7 October 2004 | 1 month |
| Alicja Kornasiewicz | 26 May 2015 | 1 month |
| Julie Southern | 26 May 2015 | 1 month |
| Rick Senat | 2 July 2010 | 1 month |
| Scott S. Rosenblum | 27 February 2014 | 1 month |
| Arni Samuelsson | 27 February 2014 | 1 month |
| Dean Moore | 11 January 2017 | 1 month |

As a FTSE 350 company, Cineworld follows best practice for larger companies under the UK Corporate Governance Code with regards to the annual re-election of directors. At the 2017 AGM, all the current Cineworld Directors stood for election or re-election. This is more than required by the Articles, which require only that one third of the Cineworld Directors stand for re-election.

The Company may, in lieu of giving notice, terminate an Executive Director's service contract by making a payment equivalent to 100 per cent. of base salary and contractual benefits for the notice period. In this event, the Executive Director would not be entitled to any bonus for the unworked portion of his or her notice period, but would be eligible for a *pro rata* bonus for the period up to the date of the termination of his or her contract. The Company's policy is to endeavour to minimise any payment on early termination by insisting on mitigation of any loss where possible.

The Non-Executive Directors, including the Chairman, are appointed pursuant to letters of appointment. The appointment of each Non-Executive Director is terminable on notice unless their appointment is terminated by a resolution of the shareholders in general meeting or if they fail to be re-elected by shareholders in general meeting.

## 7. Corporate governance and Board Committees

### 7.1 *Board practices*

The Board is committed to ensuring that an appropriate standard of corporate governance is maintained throughout the Cineworld Group.

As at the date of this document, Cineworld is in full compliance with the provisions of the UK Corporate Governance Code, with the exception of the following: under Code provisions A.3.1 and B.1.1, Anthony Bloom (Chairman) was not considered by the Board to be independent on his appointment as, at the time of his appointment, he also served as chairman on the board of another company within the Cineworld Group, Cine-UK Limited, a position he had held since the company's foundation in 1995. The Board considers that, although Anthony Bloom was not viewed as independent on appointment, his knowledge and understanding of the business are such as to justify him retaining the role as Chairman.

### 7.2 *Board Committees*

The Board has established formal Nomination, Remuneration and Audit Committees with specific delegated powers, duties and responsibilities and written terms of reference. The terms of reference for each of these committees are available on Cineworld's website and a summary is set out below.

*Nomination Committee*

The Nomination Committee comprises Rick Senat, Scott Rosenblum and Arni Samuelsson. Rick Senat and Arni Samuelsson are independent Non-Executive Directors. The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. In accordance with its terms of reference, the Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee is responsible for taking into account the UK Corporate Governance Code, succession planning of directors and other senior executives, reviewing the leadership needs of the company, nominating candidates to approve board vacancies, and reviewing board performance evaluation. It is also responsible for ensuring that Board has sufficient time to discharge their duties on appointment, and thereafter. The Nomination Committee meets formally at least twice a year and otherwise as required.

*Remuneration Committee*

The Remuneration Committee comprises Dean Moore, Rick Senat and Julie Southern, all of whom are independent Non-Executive Directors. The Remuneration Committee assists the Board in fulfilling its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration, pension and benefits package of each of the Executive Directors and monitoring and approving the remuneration, pension and benefits of senior management team. Its other responsibilities are to review the terms of operation of share option or share award schemes, to determine any qualifying or performance criteria for such schemes, and to determine the policy for authorising claims for expenses from the Chairman of the Board and Chief Executive. The Remuneration Committee meets formally at least twice a year and otherwise as required.

*Audit Committee*

The Audit Committee comprises Julie Southern, Dean Moore and Alicja Kornasiewicz, all of whom are independent Non-Executive Directors. The Audit Committee assists the Board in discharging its responsibility with regard to financial reporting, the control environment, the work of the external and internal auditors, and the risk and assurance team, including:

- monitoring the financial reporting process;

- reviewing the integrity of the annual report and accounts and interim report, including reviewing significant financial judgements therein;
- reviewing the Cineworld Group's risk assessment process, the output of that assessment and the associated risk management systems;
- reviewing the effectiveness of the Cineworld Group's internal controls;
- considering the scope of both the internal and external auditors' activities, their reports and their effectiveness;
- reviewing and monitoring the extent of the non-audit work undertaken by the external auditor; and
- advising on the appointment of and relationship with the external auditor.

The ultimate responsibility for reviewing and approving the Company's annual report and accounts and the interim reports remains with the Board. The Audit Committee meets formally at least three times year and otherwise as required.

## 8. Employees

### 8.1 *Cineworld Group*

The average number of persons employed by the Cineworld Group for the three years ended 31 December 2014, 2015 and 2016 is set out below:

| | *2014* | *2015* | *2016* |
|---|---|---|---|
| Head Office | 636 | 624 | 683 |
| Cinemas | 8,043 | 8,682 | 9,263 |
| **Totals** | 8,679 | 9,306 | 9,946 |

### 8.2 *Regal*

The average number of persons employed by the Regal for the three years ended 31 December 2014, 2015 and 2016 is set out below:

| | *2014* | *2015* | *2016* |
|---|---|---|---|
| Head Office | 521 | 517 | 517 |
| Cinemas | 22,647 | 24,025 | 25,120 |
| **Totals** | 23,168 | 24,542 | 25,637 |

## 9. Employee Share Schemes

Cineworld operates the following Employee Share Schemes:

(i) the Cineworld Group Performance Share Plan (**PSP**);

(ii) the Cineworld Group Sharesave Scheme (**Sharesave Scheme**);

(iii) the Company Share Option Plan (**CSOP**); and

(iv) the Cineworld Group Long Term Incentive Plan (**LTIP**).

The principal features of the Employee Share Schemes are summarised below. See also Section 4.2 of this Part XII for details in relation to options/awards held by the Cineworld Directors under the Employee Share Schemes.

Awards under the Employee Share Schemes can be satisfied using new issue shares, treasury shares or shares purchased in the market in conjunction with the Cineworld Group Employee Benefit Trust, established by the Company on 24 March 2006 with independent trustees based in Jersey. If new issue shares are used, the following limits will apply:

- In any 10 year period, the number of shares which may be issued under the PSP, LTIP and under any other executive share or option scheme established by the Company may not exceed 5 per cent. of the issued ordinary share capital of the Company from time to time.
- In any 10 year period, the number of shares which may be issued under the PSP, LTIP and under any employees' share or option scheme established by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

9.1 ***Cineworld Group Performance Share Plan***

*General*

From 2008 to 2017, annual awards of conditional shares or nil cost options were made under the PSP. However, following shareholder approval of the LTIP at the 2017 AGM, annual awards of conditional shares or nil cost options made from the date of the 2017 AGM will be made under the LTIP (described below).

At the Latest Practicable Date, a total of 1,113,491 Ordinary Shares were the subject of outstanding awards under the PSP.

*Eligibility*

Only Executive Directors and certain other members of the SMT, decided at the discretion of the Remuneration Committee, were selected to participate in the PSP. Non-Executive Directors, including the Chairman, are not eligible to participate in the PSP.

*Grant of options/awards*

Awards under the PSP take the form of conditional shares that vest after three years or nil cost options over shares which become exercisable after three years or forfeitable shares that remain at risk of forfeiture for three years. Awards under the PSP are subject to continued employment and, in the case of the Executive Directors, the achievement of specified performance conditions.

*Performance conditions*

The performance conditions applying to all awards to the Executive Directors in each year are summarised in the annual remuneration report and are based on the average annual growth in EPS (calculated by comparing the EPS for the last financial year prior to the date of grant and the EPS for the financial year ending three years later) exceeding prescribed targets.

The conditions may be varied in exceptional circumstances following the grant of an award so as to achieve their original purpose, but not so as to make their achievement any more or less difficult to satisfy.

*Overall limits*

The maximum value of shares subject to an award to an individual in any financial year is 200 per cent. of annual base salary as at the award date.

*Vesting*

On vesting, participants will also receive additional shares or a cash sum equivalent to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring between grant and vesting.

*Variation of capital*

On any variation of the share capital of the Company or a demerger, special dividend or other similar event which affects the market price of shares to a material extent, the Remuneration Committee may make such adjustments as it considers appropriate to the number of shares comprised in an award and/or the option price.

*Alterations*

Except as noted below, the Remuneration Committee may at any time alter the PSP or the terms of any award granted under it. Save for minor alterations to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment, no alteration to the advantage of an individual participant shall be made to the provisions governing eligibility, individual or overall limits, the basis for determining the participant's entitlement to Shares, the ability to adjust on a variation of capital and the power of amendment without the prior approval of the Company's Shareholders in general meeting.

No alteration to the material disadvantage of participants shall be made unless the alteration is approved by the majority of participants who have indicated whether or not they approve the change.

9.2 ***Cineworld Group Sharesave Scheme***

*General*

The Sharesave Scheme enables employees to become Cineworld shareholders, encouraging alignment and rewarding for Group performance. The Sharesave Scheme is an HM Revenue and Customs approved scheme open to all employees of nominated Cineworld group companies with the relevant qualifying period.

As at the Latest Practicable Date, a total of 272,912 Ordinary Shares were the subject of the outstanding options under the Sharesave Scheme.

Following expiry of the Sharesave Scheme in April 2017, no further awards may be made under the Sharesave Scheme.

*Eligibility*

Under the Sharesave Scheme, employees are eligible to acquire shares in the Company at a discount of up to 20 per cent. of the market value at grant if they agree to enter into a savings contract for a three-year period. Executive Directors are also eligible to participate in the Sharesave Scheme.

*Performance conditions*

Consistent with the relevant legislation, no performance conditions apply.

*Vesting*

In normal circumstances, at the end of their savings contract, participants may use the proceeds of that contract to exercise their option. An option, to the extent it becomes exercisable, may be exercised during the period of six months (12 months in the case of death) after which, to the extent unexercised, the option will lapse automatically.

*Variation of capital*

On any variation of the share capital of the Company the Board may make adjustments to the number of shares in respect of which any option may be exercised and/or the option price but only to the extent necessary to take account of the variation.

*Alterations*

Except as noted below, the Board may at any time alter the Sharesave Scheme or the terms of any option granted under it. Save for minor alterations to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment, no alteration to the advantage of an individual participant shall be made to the provisions governing eligibility, individual and overall limits, the basis for determining a participant's entitlement to shares, the ability to adjust on a variation of capital and the power of amendment without the prior approval of the Company's shareholders in general meeting. No alteration to the material disadvantage of any participant shall be made unless the alteration is approved by a majority of those participants who have indicated whether or not they approve it.

9.3 ***Cineworld Group Company Share Option Plan***

*General*

Since its approval in 2010, awards have generally been made each year following the announcement of the Company's results for the preceding financial year. Cineworld did not grant any awards in 2017. Following shareholder approval of the LTIP at the 2017 AGM, annual awards of conditional shares or nil cost options made from 1 January 2018 onwards will be made under the LTIP and the associated LTIP CSOP (described below).

As at the Latest Practicable Date, a total of 46,617 Ordinary Shares were the subject of outstanding options under the CSOP.

*Eligibility*

Only Executive Directors and certain other members of the SMT, decided at the discretion of the Remuneration Committee, have been selected to participate in the CSOP which allows the grant of HM Revenue and Customs approved options and unapproved options. As at the Latest Practicable Date no Executive Director holds any interest in respect of Ordinary Shares under the Cineworld Group Company Share Option Plan. Non-Executive Directors, including the Chairman, are not eligible to participate in the CSOP.

*Grant of options/awards*

In 2016, each participant in the PSP (see further above) had a proportional part of their PSP award replaced by a HM Revenue and Customs approved share option granted under the CSOP. These grants were subject to identical performance conditions to the PSP awards made in 2016.

*Overall limits*

By legislation, the maximum value of approved share options that may be granted to an individual is £30,000. No unapproved share options have been granted under the CSOP.

*Vesting*

Options will generally become exercisable after a period of three years subject to the satisfaction of any applicable performance conditions.

*Variation of capital*

On any variation in the share capital of the Company the number of shares comprised in each option and the option price may be adjusted by the Remuneration Committee but only to the extent necessary to take account of the variation.

*Alterations*

Subject to the following the CSOP may be altered by the Remuneration Committee from time to time. Except for minor amendments to benefit the administration of the CSOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment, no amendment to the advantage of a participant will be made to the provisions concerning eligibility, the overall limits, the basis for determining an option holder's entitlement to shares, the ability to adjust on a variation of capital without the prior approval of the Company's shareholders in general meeting. No alteration that would adversely affect any rights of participants shall be made except with the consent of participants.

9.4 ***Cineworld Group Long Term Incentive Plan***

*General*

Following shareholder approval of the LTIP at the 2017 AGM, future annual awards of conditional shares or nil cost options will be made under the LTIP. The LTIP is a discretionary share plan that will be administered by the Remuneration Committee. The LTIP includes a schedule (**LTIP CSOP**) designed to be registered with HM Revenue & Customs as a Schedule 4 CSOP Scheme (as defined in Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003. The LTIP also includes a schedule pursuant to which tax efficient options may be granted to Israeli eligible participants (**Israeli Sub-Plan**).

Awards granted under the LTIP (**Awards**) may take the form of market value options, options with a nil or nominal exercise price (**Nil Cost Options**), phantom share awards, contingent rights to acquire shares for no consideration (**Conditional Awards**), awards of forfeitable shares for no consideration (**Forfeitable Shares**) or contingent awards of cash.

Awards granted under the LTIP CSOP will be in the form of market value options and in general, and unless there are legal and/or tax reasons for doing otherwise, Awards made under the LTIP and the Israeli Sub-Plan will be in the form of Nil Cost Options. The commercial terms of an option granted pursuant to the LTIP CSOP and an option granted under the Israeli Sub-Plan broadly mirror those of an option granted under the main rules of the LTIP. Where the terms differ, the difference is explained below.

Awards may be satisfied from newly issued shares, treasury shares and/or shares purchased in the market. It is intended that the LTIP will be operated in conjunction with the Cineworld UK Limited Employee Benefit Trust.

*Eligibility*

All employees (including Executive Directors) of the Company and its subsidiaries may be granted Awards under the LTIP provided that, in the context of the LTIP CSOP, they are not prohibited under the legislation governing Schedule 4 CSOP Schemes from being granted an option by virtue of having, or having had, a material interest in the Company and, in the context of the Israeli Sub-Plan, they are Israeli tax resident and employed by an Israeli subsidiary of the Company.

*Grant of Awards*

The Remuneration Committee will have absolute discretion to select the persons to whom Awards may be granted and, subject to the limits set out below, in determining the number of shares or amount of cash to be subject to each Award. The Remuneration Committee will also have absolute discretion in determining the date on which an Award is to be granted, provided it falls before the tenth anniversary of the date on which the LTIP is approved by the Company in general meeting.

Awards may be granted during the period of 42 days commencing on:

(a) the date immediately after the date on which the LTIP is approved by the Company in general meeting; or

(b) the date immediately after the end of a closed period of the Company (as determined in accordance with the rules governing market abuse),

or at any other time when the Remuneration Committee, in its discretion, considers that exceptional circumstances justify the grant of Awards. If the grant of an Award during any such 42 day period would be prohibited by any statute, order, regulation or government directive, such Award may be granted during the 42 day period commencing at the time that such prohibition ceases to have effect.

No consideration will be payable for the grant of an Award.

*Individual limits*

Each individual's participation will be limited so that, in any one financial year of the Company, the aggregate market value of shares subject to all Awards (calculated as at the date of grant of each Award) granted to the individual under the LTIP in that financial year, will not exceed two hundred per cent of the individual's base salary at the date of grant or, in the case of a cash award, over an amount of cash that exceeds two hundred per cent of the individual's base salary at the date of grant.

In addition, each individual's participation in the LTIP CSOP will be limited so that the aggregate market value of shares subject to all options (calculated at the date of grant of each option) held by that individual and granted under the LTIP CSOP or any other Schedule 4 CSOP Scheme operated by the Company or any other associated company will not exceed £30,000 (or such other amount as may be permitted by Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 from time to time).

*Performance target and vesting*

Vesting of Awards granted under the LTIP may be made conditional upon the achievement of a performance target (or targets) set at the time of grant and measured over a specified period of time and/or to other conditions as determined by the Remuneration Committee.

After an Award has been granted, the Remuneration Committee may vary a performance target or other condition if an event happens which causes the Remuneration Committee to consider it appropriate to do so provided that the Remuneration Committee reasonably considers the amended targets and conditions to constitute a fairer measure of performance and a more effective incentive to the Award holder and the amended targets or conditions are no more difficult to satisfy than the original performance target or conditions were intended to be when set.

Subject to any applicable performance target or other condition, an Award will vest on the date or dates specified in the Award certificate. If the Award certificate does not specify a date or dates for the vesting of the Award, the Award will vest on the later of the date on which the Remuneration Committee determines whether any applicable condition has been satisfied or the third anniversary of when the Award was granted.

*Settlement of Awards*

On vesting:

(a) an option shall become exercisable;

(b) shares shall be transferred or issued to the holder of a Conditional Award;

(c) Forfeitable Shares shall cease to be restricted and the holder shall acquire the legal title thereof; and

(d) an appropriate cash sum shall be paid to the holder of a phantom share award or a cash award.

The Remuneration Committee may determine, in exceptional circumstances, to settle any vested Award (other than an option granted pursuant to the LTIP CSOP or an award granted pursuant to the Israeli Sub-Plan) in cash (the amount of which will relate to the market value of the shares vesting at the time). Unless the Remuneration Committee determines otherwise, options will be capable of exercise, once vested, at any time in the period of six months following vesting (or will otherwise lapse).

The Remuneration Committee may in its discretion at the time of grant of a Conditional Award or a Nil Cost Option determine that, if during the vesting period of such an Award the Company pays any dividends then, on the vesting of the Award, the Award shall vest as to a number of additional shares that have a value equal to the total value of the dividends that would have been paid during the vesting period on the shares in respect of which the Award vests. Alternatively, the Committee may determine to settle in cash the value of the dividends that would have been paid during the vesting period in respect of which the Award vests (or, in the case of an option, is exercised).

*Cessation of employment*

An Award that has not already vested will normally lapse upon an Award holder ceasing to be employed by the Company or by one of its subsidiaries. If, however, an Award holder's employment ceases:

(a) due to death; or

(b) due to injury, ill-health or disability (in each case evidenced to the satisfaction of the Remuneration Committee); or

(c) in the case of options granted pursuant to the LTIP CSOP, due to retirement (as evidenced to the satisfaction of the Remuneration Committee); or

(d) due to redundancy or upon the transfer out of the Cineworld Group of a company or business by which the Award holder is employed; or

(e) in any other circumstance that the Remuneration Committee determines that the Award should not automatically lapse,

an Award held by that individual will not lapse. Instead, the Award may be retained and will vest subject to:

(a) the extent to which the performance targets are met; and

(b) unless the Remuneration Committee in its discretion determines otherwise, being scaled back to reflect the proportion of the usual vesting period which had expired before the cessation of employment.

Where the employment ends before a performance target has been assessed, and other than in the case of death, vesting will usually be deferred until the end of the usual vesting period. In the case of death, or in any other circumstance determined to be appropriate or necessary by the Remuneration Committee, vesting will take place following the cessation of employment (and, in which case, the performance target shall be assessed on such modified basis as the Remuneration Committee determines to be appropriate). In the case of death, options will remain exercisable for a period of 12 months following the date of death.

Options that have already vested before an Award holder ceases to be employed by the Company or by one of its subsidiaries but which has not yet been exercised at the time that the Award holder ceases to be so employed (for whatever reason) will remain capable of exercise in accordance with the rules of the LTIP.

*Takeover events*

In the event of a takeover, scheme of arrangement or winding-up of the Company, Awards will vest early subject, unless the Committee in its discretion determines otherwise, to:

(a) the extent to which the performance targets have been met (assessed on such modified basis as the Committee determines to be appropriate); and

(b) being scaled back to reflect the proportion of the usual vesting period which had expired before the takeover, scheme of arrangement or winding-up of the Company.

In the event of an internal reorganisation of the Company, unless the Remuneration Committee determines that Awards should vest on the basis described above in the context of a takeover, Awards will be replaced by equivalent new awards over shares in a new holding company.

*Other Award terms*

Awards will not be capable of transfer or assignment. Benefits obtained under the LTIP will not be pensionable.

Save for shares subject to a Forfeitable Shares Award, before vesting (or, in the case of options, before exercise), Award holders will have no voting or other rights in relation to the shares subject to those Awards. Shares transferred on the vesting of an Award (or exercise of an option) shall be transferred without the benefit of any rights attaching to the shares by reference to a record date preceding the date of vesting (or exercise).

*Adjustment of Awards*

The number of shares under Award and their nominal value may be adjusted by the Committee in the event of any variation of the share capital of the Company.

*Claw-back*

The rules of the LTIP include 'claw-back' provisions that will apply to Awards granted to Executive Directors and may, if the Remuneration Committee determines, apply to any other Award other than an option granted pursuant to the LTIP CSOP. The provisions apply where it is discovered (within two years of the vesting of an Award) that there has been a material misstatement in the financial results of the Company and/or an act of gross misconduct on the part of the Award holder (that takes place before the vesting date of the Award but only comes to light after the Award vests) and such misstatement or gross misconduct has resulted in an Award vesting to a greater extent than it otherwise should have done (**Excessive Award**).

In these circumstances, the Committee may make reductions (up to the value of the Excessive Award) to other Awards held by the Award holder in question which would otherwise vest under the LTIP (including cash awards) and/or require the Award holder in question to pay an amount equal to the value of the Excessive Award which has not otherwise been recovered (after taking into account any income tax and social security paid by the Award holder in relation to the Excessive Award).

*Administration and amendment*

The Committee may amend the provisions of the LTIP. The rules of the LTIP which relate to:

(a) the persons to whom Awards may be granted;

(b) the limits on the number of shares that may be issued;

(c) the maximum entitlement for any Award holder;

(d) the basis for determining an Award holder's entitlement to shares or Awards under the LTIP and for the adjustment thereof following any increase or variation to the share capital of the company,

cannot be amended to the advantage of any Award holder or potential Award holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Award holders, the Company or any member of the Group.

**10. Pension benefits**

All Cineworld employees, including Executive Directors, are invited to participate in a Group Personal Pension Plan which is a money purchase plan. The pension benefits consist of a monthly employer contribution up to 20 per cent. of basic salary or in the form of a cash pension allowance. Bonuses are not pensionable.

Executive Directors may choose to opt out of the Group scheme and instead receive a cash pension allowance equivalent to employer pension contribution (i.e. currently up to 20 per cent. of base salary). Cineworld's pension contribution may be conditional on the Executive Director contributing a percentage of their base salary to the pension scheme in line with general scheme requirements. Executives may make pension contributions under "salary sacrifice" arrangements. Savings as a result of such an arrangement may be shared with the Executive Director in the form of an additional pension contribution.

Cineworld previously provided pensions benefits to employees on a defined benefit basis through two defined benefit schemes, the MGM Scheme in the UK, and the Adelphi Plan in Ireland.

The MGM Scheme was closed to future accrual from 31 May 2009, though the link to final pay at retirement was retained. On 15 December 2016 the MGM Scheme was bought out by Aviva Annuity UK Limited, with all risks in relation to the scheme passing to Aviva Annuity UK Limited as of the buyout date. This transition was treated as a settlement occurring on 15 December 2016 (the inception date). Following this transaction, all members of the MGM Scheme have had their benefits secured with Aviva Annuity UK Limited, discharging Cineworld's legal and constructive obligations for the scheme. The past service liabilities at 31 December 2016 are therefore shown as nil. Cineworld made contributions of £0.8 million during FY 2016 (FY 2015: £1.6 million).

The Adelphi Plan is closed to new entrants and therefore the current service cost is £nil. The trustees of the Adelphi Plan have not agreed that any surplus on the plan can be refunded to Cineworld. Accordingly the surplus has not been recognised. The Adelphi Plan had a surplus of £0.3 million as at 31 December 2016 (2015: £0.6 million). Cineworld was not required to make contributions under the Adelphi Plan in either FY 2015 or FY 2016.

## 11. Directors' confirmations

Save as disclosed below, as at the date of this document, none of the Cineworld Directors has, during the five years prior to the date of this document:

(a) been convicted in relation to a fraudulent offence;

(b) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or

(d) been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

Certain of the Cineworld Directors were acting in the capacity of director of the following companies at the time they were subject to a members' voluntary liquidation or dissolved via strike-off, during the five years prior to the date of this document:

| | *Company* | *Liquidation or strike-off* | *Status* |
|---|---|---|---|
| Anthony Bloom | Rockridge Consolidated Limited | Members' voluntary liquidation | Dissolved on 19 September 2014 |
| Rick Senat | Hogarth Investments (1961) Limited | Members' voluntary liquidation | Winding up commenced on 16 January 2017 |
| | Monserrat Court Limited | Members' voluntary liquidation | Winding up commenced on 16 January 2017 |
| | Lillybrook Showjumping Ltd | Dissolved via compulsory strike-off | Dissolved on 9 May 2017 |
| | Ripley's Bion Productions Limited | Dissolved via voluntary strike-off | Dissolved on 10 May 2016 |
| | The Northern Progress Company Limited | Members' voluntary liquidation | Dissolved on 21 March 2013 |

## 12. Conflicts of interest

In respect of any Cineworld Director, there are no actual or potential conflicts of interests between any duties they have to the Company, either in respect of the Rights Issue, the Acquisition or otherwise, and the private interests and/or other duties they may also have. Save as disclosed in this Part XII, there are no interests, including conflicting ones, that are material to the Rights Issue or the Acquisition.

No Cineworld Director has or had a material interest in any significant contract with Cineworld or any of its subsidiaries other than those arrangements referred to in Section 7 of Part XIII (*Additional Information*) of this document.

No Cineworld Director was selected to be a director of Cineworld pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Cineworld Group.

No restrictions have been agreed by any Cineworld Director on the disposal within a certain period of time of his or her holding in Cineworld securities.

Save for Mooky Greidinger and Israel Greidinger, who are brothers, there are no family relationships between any of the Cineworld Directors.

## 13. Other directorships and partnerships

The details of those companies and partnerships outside the Cineworld Group in which the Cineworld Directors are, or have been, members of the administrative, management and supervisory bodies or partners at any time during the five years prior to the date of this document are as follows:

| | *Interests* | *Status (Current/Previous)* |
|---|---|---|
| Anthony Bloom | Jayem Pty Ltd | Current |
| | London Symphony Orchestra Limited | Current |
| | LSO Live Ltd | Current |
| | TechnoServe Inc | Current |
| | United Trust Pty Ltd | Current |
| | National Angels Limited | Previous |
| | Rockridge Consolidated Limited (*dissolved*) | Previous |
| | Transdek U.K. Limited | Previous |
| | WealthTouch Inc. | Previous |
| Mooky Greidinger | Beit Theatres Management Ltd | Current |
| | Beit Theatres Parking Ltd. | Current |
| | Dahlia G. Europe Investment Ltd. | Current |
| | Dahlia G. Investments Ltd. | Current |
| | D.K.G investment Company Ltd. | Current |
| | Israel Theatres Ltd. | Current |
| | I.T International Theatres Ltd. | Current |
| | I.T Theatres 2004 Ltd. | Current |
| | I.T Theatres Holdings and Finance Ltd. | Current |
| | Mabat Ltd. | Current |
| | Near East Finance Corporation Ltd. | Current |
| | Rav Chen Real Estate Ltd. | Current |
| | Y.M. Greidinger Investment Ltd. | Current |
| Israel Greidinger | Beit Theatres Management Ltd | Current |
| | Beit Theatres Parking Ltd. | Current |
| | Dahlia G. Europe Investment Ltd. | Current |
| | Dahlia G. Investments Ltd. | Current |
| | D.K.G investment Company Ltd. | Current |

| | *Interests* | *Status (Current/Previous)* |
|---|---|---|
| Israel Greidinger *(continued)* | Israel Theatres Ltd. | Current |
| | I.T International Theatres Ltd. | Current |
| | I.T Theatres 2004 Ltd. | Current |
| | I.T Theatres Holdings and Finance Ltd. | Current |
| | Mabat Ltd. | Current |
| | Near East Finance Corporation Ltd. | Current |
| | Rav Chen Real Estate Ltd. | Current |
| | T.I Theatres Investments Ltd. | Current |
| Alicja Kornasiewicz | GetBack S.A. | Current |
| | Morgan Stanley&Co International PLC | Previous |
| Julie Southern | DFS Furniture Plc | Current |
| | Hilbre (UK) Ltd | Current |
| | NXP Semiconductors N.V. | Current |
| | Rentokil Initial Plc | Current |
| | Stagecoach Group Plc | Current |
| | Bug Leasing Limited | Previous |
| | Campden Securities Limited (*dissolved*) | Previous |
| | DFS Furniture Holdings Plc | Previous |
| | DFS Investments Limited (*dissolved*) | Previous |
| | Fit Leasing Limited | Previous |
| | Fordbar Services Limited (*dissolved*) | Previous |
| | gategroup Holding AG | Previous |
| | Greenart Limited (*dissolved*) | Previous |
| | Junopart Limited | Previous |
| | Public Eye Promotions Limited (*in liquidation*) | Previous |
| | Speed 5024 Limited (*dissolved*) | Previous |
| | Threesixty Aerospace Limited (*in liquidation*) | Previous |
| | VA Cargo Limited | Previous |
| | Virgin Airways Limited (*dissolved*) | Previous |
| | Virgin Atlantic Airways Limited | Previous |
| | Virgin Atlantic Consol Limited (*in liquidation*) | Previous |
| | Virgin Atlantic Engineering Limited (*in liquidation*) | Previous |
| | Virgin Atlantic Foundation | Previous |
| | Virgin Atlantic Two Limited | Previous |
| | Virgin Aviation Services Limited (*in liquidation*) | Previous |
| | Virgin Freeway Limited (*in liquidation*) | Previous |
| | Virgin Travel Group Limited | Previous |
| | Virglease (2) Limited (*in liquidation*) | Previous |
| | Virglease (3) Limited | Previous |
| | Virglease Limited | Previous |
| | Voyager Nominees Limited (*dissolved*) | Previous |
| | Worldwide Travel Of East Anglia Limited (*in liquidation*) | Previous |
| Rick Senat | Bramordene Limited | Current |
| | British Cinema And Television Veterans Limited | Current |
| | Business Affair Productions Limited | Current |
| | CS Films Limited | Current |
| | GTS Films Limited | Current |
| | Hogarth Investments (1961) Limited (*in liquidation*) | Current |
| | Hogarth Properties Limited | Current |
| | L & G Productions Limited | Current |
| | London Film Museum | Current |

| | *Interests* | *Status (Current/Previous)* |
|---|---|---|
| Rick Senat *(continued)* | Mad Dog Casting Limited | Current |
| | Mad Dog Foundation | Current |
| | Monserrat Court Limited (*in liquidation*) | Current |
| | Platform 9 3/4 Kings Cross Ltd | Current |
| | Poster Pictures Limited | Current |
| | Take It Films Development Limited | Current |
| | Bank Leumi (U.K.) P.L.C. | Previous |
| | The Blair Partnership LLP | Previous |
| | Bronte Film And Television Limited | Previous |
| | Create More Limited | Previous |
| | E C M (London) Limited | Previous |
| | Harry Potter Theatrical Productions Limited | Previous |
| | Iconic Images International Ltd (*in liquidation*) | Previous |
| | Lillybrook Showjumping Ltd (*dissolved*) | Previous |
| | Pottermore Limited | Previous |
| | Ripley's Bion Productions Limited (*dissolved*) | Previous |
| | The Casual Vacancy Productions Limited | Previous |
| | The Northern Progress Company Limited (*dissolved*) | Previous |
| Scott S. Rosenblum | Dovenmuehle Mortgage, Inc. | Current |
| | King Cross Associates, Inc. | Current |
| | Kramer Levin Naftalis & Frankel LLP | Current |
| | Investec Securities (US) LLC | Current |
| | Investec USA Holdings Corp | Current |
| | Richman Asset Management, Inc. | Current |
| | The Richman Group Inc. | Current |
| | The Richman Group Development Corporation | Current |
| | Cinema City International N.V. | Previous |
| | Temco Service Industries, Inc. | Previous |
| Arni Samuelsson | SAMfélagio | Current |
| | Samfilm EHF | Current |
| | SAMcinema | Current |
| Dean Moore | Volex Plc | Current |
| | Ambrose Wilson Limited | Previous |
| | Better Living Limited | Previous |
| | Classic Combination Limited | Previous |
| | Crescent Direct Limited | Previous |
| | Cuss Contractors Limited | Previous |
| | D H M (Management Services) Limited | Previous |
| | Dale Financial Services Limited (*dissolved*) | Previous |
| | Dale House (Mail Order) Limited | Previous |
| | Daly, Harvey, Morfitt Limited | Previous |
| | Dunlop Heywood (Facilities Management) Limited (*dissolved*) | Previous |
| | E. Langfield & Company Limited | Previous |
| | Eunite Limited | Previous |
| | Figleaves Global Trading Ltd. | Previous |
| | Financial Services (Edinburgh) Limited | Previous |
| | First Financial Limited | Previous |
| | Fulfilment Logistics Limited (*dissolved*) | Previous |
| | Gray & Osbourn Limited | Previous |
| | H.B. Wainwright (Financial Services) Limited | Previous |
| | Halwins Limited | Previous |
| | Hammond House Investments International Limited | Previous |
| | Hammond House Investments Limited | Previous |
| | Health Direct Limited (*dissolved*) | Previous |

| | *Interests* | *Status (Current/Previous)* |
|---|---|---|
| Dean Moore *(continued)* | Hilton Mailing Limited | Previous |
| | Holland & Heeley Limited | Previous |
| | Home Shopping Direct Limited (*dissolved*) | Previous |
| | House Of Stirling (Direct Mail) Limited | Previous |
| | J D W Pension Trustees Limited | Previous |
| | J.D. Williams & Company Limited | Previous |
| | J.D. Williams Group Limited | Previous |
| | JDW Finance Limited | Previous |
| | Mature Wisdom Limited | Previous |
| | N B Guernsey UK (*dissolved*) | Previous |
| | N Brown Group Plc | Previous |
| | N Brown Limited (*dissolved*) | Previous |
| | N Brown Property One Limited | Previous |
| | N Brown Property Three Limited | Previous |
| | N Brown Property Two Limited | Previous |
| | N. Brown Funding Limited | Previous |
| | N. Brown Holdings Limited | Previous |
| | Nightingales Limited (*dissolved*) | Previous |
| | Odhams Leisure Group Limited | Previous |
| | Oxendale & Company Limited | Previous |
| | Sander & Kay Limited | Previous |
| | Sartor Limited (*dissolved*) | Previous |
| | Speciality Home Shopping (US) Limited | Previous |
| | T-Bra Limited | Previous |
| | The Value Catalogue Limited | Previous |
| | Tuxedo Money Solutions Limited | Previous |
| | Whitfords (Textiles) Limited | Previous |
| | Whitfords (Cosytred) Limited | Previous |
| | Wingmark Limited | Previous |

# PART XIII

# ADDITIONAL INFORMATION

## 1. The Company

The Company was incorporated and registered in England and Wales on 23 August 2004 with registered number 05212407, as a private company limited by shares under the Companies Act 1985, with the name Augustus 2 Limited. Its name was changed on 24 August 2004 to JAD 1 Limited, and on 6 October 2004 to Cineworld UK Limited. On 17 May 2006, the Company re-registered as a public limited company and changed its name to Cineworld Group plc.

The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be created, is the Companies Act 2006 and the regulations made thereunder.

The Company is domiciled in the United Kingdom and its registered and head office is at 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG.

The Existing Ordinary Shares are listed on the Official List of the London Stock Exchange. The ISIN of the Existing Ordinary Shares is GB00B15FWH70.

## 2. Share capital

The Company has only one class of share capital which is ordinary shares of one pence each.

The following table shows the issued share capital of the Company at the Latest Practicable Date, and the issued fully paid share capital of the Company following completion of the Rights Issue (excluding any Ordinary Shares which may be issued on the exercise of options under the Employee Share Schemes during the Rights Issue and the effect of not allotting fractions):

| | *Ordinary Shares at the Latest Practicable Date* | | *Ordinary Shares following completion of the Rights Issue* | |
|---|---|---|---|---|
| | *Number* | *£* | *Number* | *£* |
| Issued and fully paid | 273,915,718 | 2,739,157.18 | 1,369,578,590 | 13,695,785.90 |

At the Latest Practicable Date, none of the Ordinary Shares were held in treasury.

### 2.1 *Share capital history*

As at 27 December 2013, the first day covered by the historical financial information incorporated by reference into this document, the Company's issued share capital comprised 149,892,079 Ordinary Shares with a nominal value of one pence each.

Between 1 January 2014 and the Latest Practicable Date, the Company has issued 124,023,639 Ordinary Shares in total, of which:

(A) 915,486 Ordinary Shares were issued pursuant to the Sharesave Scheme;

(B) 2,031,542 Ordinary Shares were issued pursuant to the PSP;

(C) 171,891 Ordinary Shares were issued pursuant to the CSOP;

(D) 113,566,701 Ordinary Shares were issued in connection with the acquisition of Cinema City Holding; and

(E) 7,338,019 Ordinary Shares were issued in connection with the acquisition of five Empire cinemas from Cinema Holdings Limited.

Other than these issues of Ordinary Shares, there have been no changes to the issued share capital of the Company between 27 December 2013 and the Latest Practicable Date.

2.2 ***Dilution***

The New Ordinary Shares represent approximately 400 per cent. of the Ordinary Shares in issue immediately prior to the Rights Issue.[23]

2.3 ***New Ordinary Shares***

It is expected that the New Ordinary Shares will be admitted to the Official List, the London Stock Exchange's main market for listed securities, and that they will trade under UK ISIN GB00B15FWH70.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares in issue, including in relation to dividends or other distributions. It is expected that the New Ordinary Shares, when allotted and issued, will be capable of being held and transferred by means of CREST.

2.4 ***Existing Shareholder authorities***

At the 2017 AGM, the following resolutions were passed by Shareholders:

(a) an ordinary resolution was passed by Shareholders authorising the Board to allot Ordinary Shares and to grant rights to subscribe for or convert any security into Ordinary Shares:

(i) up to an aggregate nominal amount of £897,000; and

(ii) comprising equity securities (as defined in section 560 of the Companies Act 2006), up to a nominal amount of a further £1,794,000 (such amount to be reduced by the nominal amount of any allotments or grants made under sub-section (a)(i) above) in connection with an offer by way of a rights issue to:

(a) Shareholders in proportion as nearly as may be practicable to their existing holdings; and

(b) people who are holders of other equity securities if this is required by the rights of those securities or as the Cineworld Directors otherwise consider necessary, as permitted by the rights of those securities,

and so that the Board may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities are to expire (unless previously revoked by the Company) on the date of the Company's annual general meeting to be held in 2018 or on 14 August 2018, whichever is the earlier, except that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Cineworld Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired;

(b) a special resolution was passed by Shareholders giving the Board the power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by the resolution described at sub-section (a) above as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited to:

(23) Assuming no Ordinary Shares other than the New Ordinary Shares are issued prior to Completion.

(i) the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under sub-section (a)(ii) above, by way of a rights issue only) to:

(a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(b) people who are holders of other equity securities if this is required by the rights of those securities or as the Cineworld Directors otherwise consider necessary, and so that the Board may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(ii) in the case of the authority granted under sub-section (a)(i) above, to the allotment or sale (otherwise than under sub-section (b)(i) above) of equity securities up to an aggregate nominal amount of £134,500,

and such power to cease to have effect when the authority given by resolution (a) is revoked or expires, but the Company may make offers or agreements which would or might require equity securities to be allotted after this authority expires and the Cineworld Directors may allot equity securities in pursuance of such offers or agreements notwithstanding that the authority has expired.

(c) a special resolution was passed by Shareholders giving the Board the power, in addition to any power granted under the resolution described at sub-section (b) above to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by the resolution described as sub-section (a) above as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power shall be:

(i) limited to the allotment of equity securities up to an aggregate nominal amount of £134,500; and

(ii) used only for the purposes of financing a transaction which the Cineworld Directors determine to be an acquisition or other capital-investment contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the 2017 AGM notice or for the purposes of refinancing such a transaction within six months of its taking place,

and such power to cease to have effect when the authority given by resolution (a) is revoked or expires, but the Company may make offers or agreements which would or might require equity securities to be allotted after this authority expires and the Cineworld Directors may allot equity securities in pursuance of such offers or agreements notwithstanding that the authority has expired.

At the General Meeting, Shareholders will be asked to consider and vote on the Resolutions, which (*inter alia*) authorise the Cineworld Directors to allot up to 1,095,662,872 Ordinary Shares, representing approximately 400 per cent. of the Company's current issued share capital (excluding treasury shares). This authority will enable the Company to allot sufficient Ordinary Shares to proceed with the Rights Issue. This authority and power will expire on the date of the Company's annual general meeting in 2018. The authority granted under the Resolution is in addition to the authority to allot Ordinary Shares which was granted to the Cineworld Directors at the 2017 AGM, which the Cineworld Directors have no present intention of exercising, except pursuant to the Employee Share Schemes, and which will expire at the Company's annual general meeting in 2018 or on 14 August 2018, whichever is the earlier.

Accordingly, the New Ordinary Shares to be issued in connection with the Rights Issue will be created, allotted and issued pursuant to the authorities conferred on the Company under the Resolution proposed at the General Meeting.

## 3. Cineworld Articles

The following is a summary of Cineworld's Articles, which were adopted by the Company on 12 May 2010 and which are available for inspection at the addresses specified in Section 14 of this Part XIII.

(i) ***Unrestricted objects***

The objects of the Company are unrestricted.

(ii) ***Limited liability***

The liability of the Company's members is limited to the amount, if any, on the shares in the Company held by them.

(iii) ***Share rights***

Subject to applicable statutes and existing shareholders' rights, the Company may issue shares with any rights or restrictions attached to them. These rights or restrictions can either be decided by an ordinary resolution passed by the shareholders or be decided by the directors as long as there is no conflict with any resolution passed by the shareholders.

Subject to applicable statutes and existing shareholders' rights, redeemable shares may be issued. The directors can decide on the terms and conditions and the manner of redemption of any redeemable share.

(iv) ***Voting rights***

Shareholders will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the legislation. The Companies Act 2006 provides that:

(a) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant shareholder to vote in the way that the proxy decides to exercise that discretion; and

(b) on a poll every member has one vote per share held by him or her and he or she may vote in person or by one or more proxies. Where he or she appoints more than one proxy, the proxies appointed by him or her taken together shall not have more extensive voting rights than he or she could exercise in person.

This is subject to any rights or restrictions which are given to any shares or on which shares are held.

If more than one joint shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

(v) ***Dividends and other distributions***

The shareholders may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the directors.

Subject to the legislation, the directors may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the directors, justifies any such payments. If the directors act in good faith, they are not liable for any loss that shareholders may suffer because a lawful dividend has been paid on other shares that rank equally with or behind their shares.

Unless the rights attached to any shares or the terms of any shares say otherwise, all dividends will be divided and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid, and dividends may be declared or paid in any currency.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment will be forfeited and go back to the Company unless the directors decide otherwise.

(vi) ***Transfer of shares***

Shares in certificated form may be transferred by an instrument of transfer in writing in any usual form, or in such other form as the board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by or on behalf of the transferee. Shares in uncertificated form may be transferred in accordance with the Uncertificated Securities Regulations.

The directors can refuse to register the transfer of any shares which are not fully paid. The directors may also refuse to register the transfer of any certificated shares unless all of the following conditions are satisfied:

(a) it is only in respect of only one class of shares and is in favour of a single transferee or not more than four joint transferees;

(b) it is duly stamped (if required); and

(c) it is delivered for registration accompanied by the certificate for the shares to which it relates and such other evidence of ownership as the Board may reasonably require to prove the title of the intending transferor or person renouncing.

Subject to, and in accordance with, the provisions of the Uncertificated Securities Regulations 2001, the operator of the relevant system may refuse to register a transfer of any uncertificated shares in circumstances permitted by the Uncertificated Securities Regulations.

(vii) ***Changes in capital and purchase of own shares***

The Company may increase, divide or consolidate its share capital in accordance with the Companies Act 2006.

(viii) ***Variation of rights***

If legislation allows, rights attached to any class of shares may be changed if this is approved either in writing by shareholders holding at least three-quarters of the issued shares of that class by amount (excluding any shares of that class held as treasury shares), or by a resolution passed at a separate meeting of the holders of those shares.

If new shares are created or issued which rank equally with any other existing shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

(ix) ***General meetings***

The Company shall hold annual general meetings in accordance with the relevant legislation. Under the Companies Act 2006, an annual general meeting shall be called by not less than 21 clear days' notice, and a general meeting of the Company other than an annual general meeting shall be called by not less than 14 clear days' notice. The notice shall specify: whether the meeting is an annual general meeting or another general meeting, the place, the date and time of meeting, the general nature of the business to be conducted at that meeting and that a member entitled to vote may appoint one or more proxies to vote instead of him or her on a poll at such meeting. A notice convening a meeting to pass an ordinary resolution or a special resolution as the case may be shall specify the intention to propose the resolution as such. A meeting may be called on shorter notice if, in the case of an annual meeting, it is agreed by all members entitled to attend and vote at the meeting, or in the case of any other general meeting, if it is agreed by a majority of members having a right to attend and vote at such meeting and which hold not less than 95 per cent. of the nominal value of shares giving that right.

Each director can attend and speak at any general meeting of the Company. The chairman of a meeting can also allow anyone to attend and speak where he or she considers that this will help the business of the meeting.

(x) ***Directors***

*Number of directors*

The Company must have a minimum of two directors and a maximum of 10 directors, although this can be amended by the shareholders passing an ordinary resolution.

*Appointment*

Directors may be appointed by the shareholders passing an ordinary resolution, or by the board. A director appointed by the board shall hold office only until the dissolution of the next annual general meeting and is not taken into account in determining the directors who are to retire by rotation at that meeting.

The directors or any committee authorised by the directors can appoint one or more directors to any executive position, on such terms and for such period as they think fit and they can also terminate or vary such an appointment at any time.

*Retirement*

At each annual general meeting one third of the directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. The directors to retire will be, firstly, those who wish to retire and, secondly, those directors who have been longest in office since their last appointment or reappointment or, in the case of those who were appointed or reappointed on the same day, the director to be subject to retirement will (unless they otherwise agree) be determined by lot.

*Removal by ordinary resolution*

The Company's shareholders can by ordinary resolution remove any director before the expiration of his or her period of office.

*Vacation of office*

Any director automatically stops being a director if:

(a) he or she gives the secretary or the board notice of resignation;

(b) where he or she has been appointed for a fixed term, the term expires;

(c) he or she ceases to be a director under the legislation, he or she is removed from office under the Articles or he or she becomes prohibited by law from being a director;

(d) he or she becomes bankrupt or applies for a voluntary arrangement under section 253 of the Insolvency Act 1986;

(e) he or she is or has been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;

(f) he or she has missed directors' meetings (whether or not an alternate director appointed by him or her attends) for six consecutive months without permission from the directors and the directors pass a resolution removing the director from office; or

(g) he or she is removed from office by notice signed by all his or her co-directors.

If a director stops being a director for any reason, he or she will also automatically cease to be a member of any committee of the board.

*Alternate directors*

Any director can appoint any person (including another director) to act as an alternate director.

*Remuneration*

The fees of the directors for their services shall not in aggregate exceed £[500,000] per annum (or such higher amount as the Company may decide to set by ordinary resolution). Subject to this limit, a director shall be paid a fee (to accrue from day to day) at such rate as the board may decide. Such remuneration is distinct from any remuneration payable by the Company to executive directors under service contracts or other amounts payable under the Articles.

Any director who is appointed to any executive office shall be entitled to such remuneration as the board may determine, and this may be in addition to, or instead of, any fees payable to him or her for his or her services as a director.

The board shall also be repaid all reasonable travelling, hotel and other expenses properly incurred by them in the performance of their duties, including the expenses of attending the meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

The board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities to a person who is or has at any time been a director of the Company or a director of any company which is or was a subsidiary undertaking of or allied to or associated with the Company or a subsidiary of the Company and to the relatives or dependants of any such person.

*Powers of the board*

The board shall manage the Company's business and exercise all the powers of the Company whether relating to the management of the business or not.

The board may delegate any of it powers, authorities and discretions to a committee of one or more persons.

*Borrowing powers*

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company, to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.

The board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure (as regards subsidiary undertakings, to the extent possible) that the aggregate principal amount outstanding in respect of monies borrowed by the group does not at any time without the previous sanction of an ordinary resolution of the Company exceed a sum equal to the greater of three times the adjusted capital and reserves and £225 million.

*Directors' interests*

A director who is in any way, whether directly or indirectly, interested in any transaction or arrangement that has been entered into by the Company or any subsidiary undertaking of the Company, or any proposed transaction or arrangement with the Company or any subsidiary undertaking of the Company, shall declare the nature and extent of his or her interest to the other directors.

Additionally, before any situation arises in which a director has, or can have, a direct or indirect interest or duty that conflicts or possibly may conflict with the interests of, or his or her duty to, the Company or any of its subsidiary undertakings, he or she shall declare the nature and extent of his or her interest or duty to the other directors.

*Authorisation of conflicts of interest*

The directors may, subject to the Articles, authorise any matter which would otherwise involve a director breaching his or her duty under the legislation to avoid conflicts of interest. For the purpose of this authorisation, the interested director(s) must not vote, a quorum of the board must be satisfied after excluding the interested director(s) and the director(s) may be excluded from participation in discussions of the board in relation to the matter in which he/they is/are interested.

In authorising a matter which would otherwise constitute a conflict of interest, the directors may impose, vary or remove such terms and conditions as they may think fit from time to time (whether at the time of giving the authorisation or subsequently).

No director shall, by reason of his or her office as director of the Company (or by reason of the fiduciary relationship established by holding that office), be liable to account to the Company for any benefit which he or she derives from any matter which would otherwise constitute a conflict of interest which has been authorised by the directors in accordance with the Articles and no contract, transaction or arrangement shall be liable to be avoided by reason of any interest of a director which has been so authorised.

*Powers to vote*

A director may not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his or her own appointment (including fixing or varying the terms of appointment), or the termination of his or her own appointment, as the director of, or the holder of any other office or place of profit with, the Company or any undertaking in which the Company is interested.

Unless otherwise provided in the Articles, a director may not vote (or be counted in the quorum) in respect of any transaction or arrangement or any other proposal in which he or she has a material interest which (together with any interest of any person connected with him and her within the meaning of section 252 of the Companies Act 2006) may reasonably be regarded as likely to give rise to a conflict of interest and, if he or she purports to do so, his or her vote shall not be counted.

Subject to the Companies Act 2006, the Company may by ordinary resolution suspend or relax the restrictions in the Articles on a director's ability to vote to any extent or ratify any transaction or other arrangement in which he or she is interested that has not been not duly authorised by reason of a contravention of the Articles.

*Indemnity of officers*

The Articles provide that, subject to remaining consistent with the relevant company law, every director and other officer (other than an auditor) of the Company shall be indemnified out of the assets of the Company against all liabilities (subject to certain exceptions) attaching to him or her in relation to the Company in the actual or purported execution and/or discharge of his or her duties and/or the exercise or purported exercise of his or her powers. Cineworld has entered into indemnities in favour of the Cineworld Directors (effective from the date on which they are appointed to the Board) on this basis.

## 4. Major shareholders

Insofar as it is known to the Company as at the Latest Practicable Date, the following persons have an interest in the Ordinary Shares which is notifiable under DTR5 of the Disclosure Guidance and Transparency Rules:

| *Shareholder* | *Number of shares* | *Percentage of Total Voting Rights (%)* |
|---|---|---|
| Global City Holdings B.V. | 76,626,344 | 27.97 |
| Royal London Asset Management | 10,578,562 | 3.86 |
| Polaris Capital Management, LLC | 9,172,000 | 3.35 |

Save as disclosed above, the Company is not aware of any person who had a notifiable interest under DTR 5 of the Disclosure Guidance and Transparency Rules as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company was not aware of any person or persons who directly or indirectly, jointly or severally, exercise or are entitled to exercise control over the Company, nor is it aware of any arrangement the operation of which may at a subsequent date result in a change in control of the Company.

None of the Company's major shareholders has or will have different voting rights attached to the shares they hold in the Company.

## 5. Significant subsidiaries

Cineworld is the parent company of the Cineworld Group. The following table contains a list of the principal (but not necessarily direct) subsidiaries and associated undertakings of Cineworld and Regal (each of which is considered to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Enlarged Group).

The businesses listed below operate principally in the country in which they are incorporated.

| *Name* | *Percentage ownership interest (%)* | *Nature of Business* | *Country of Incorporation* |
|---|---|---|---|
| ***Principal Cineworld subsidiaries (directly held)*** | | | |
| Augustus 1 Limited | 100 | Holding company | United Kingdom |
| Cinema City Holding B.V. | 100 | Holding company | The Netherlands |
| Cinema Finco 1 Limited | 100 | Financing company | Ireland |
| Cinema Finco 3 Limited | 100 | Financing company | Ireland |
| Cinema Finco 4 Limited | 100 | Financing company | Ireland |
| Cinema Finco 5 Limited | 100 | Financing company | Ireland |
| Cinema Finco 6 Limited | 100 | Financing company | Ireland |
| Cinema City Holdco (Hungary) K.F.T | 100 | Financing company | Hungary |
| Crown UK Holdco Limited | 100 | Holding company | United Kingdom |
| ***Principal Cineworld subsidiaries (indirectly held)*** | | | |
| Augustus 2 Limited | 100 | Holding company | United Kingdom |
| Cineworld Holdings Limited | 100 | Holding company | United Kingdom |
| Cine-UK Limited | 100 | Cinema operation | United Kingdom |
| Cineworld Cinemas Holdings Limited | 100 | Holding company | United Kingdom |
| Cineworld Cinemas Limited | 100 | Holding company and cinema operation | United Kingdom |
| Cineworld Estates Limited | 100 | Cinema property leasing | United Kingdom |
| Cineworld South East Cinemas Limited | 100 | Holding company | United Kingdom |
| Gallery Holdings Limited | 100 | Holding company | United Kingdom |

| Name | Percentage ownership interest (%) | Nature of Business | Country of Incorporation |
|---|---|---|---|
| ***Principal Cineworld subsidiaries (indirectly held) (continued)*** | | | |
| Gallery Cinemas Limited | 100 | Dormant | United Kingdom |
| Adelphi-Carlton Limited | 100 | Cinema operation | Ireland |
| Cineworld Cinema Properties Limited | 100 | Property company | United Kingdom |
| Classic Cinemas Limited | 100 | Retail services company | United Kingdom |
| Cineworld Elite Picture Theatre (Nottingham) Limited | 100 | Dormant | United Kingdom |
| Digital Cinema Media Limited | 50 | Screen advertising | United Kingdom |
| Picturehouse Cinemas Limited | 100 | Cinema operations | United Kingdom |
| City Screen (Brighton) Limited | 100 | Cinema operations | United Kingdom |
| CS (Brixton) Limited | 100 | Cinema operations | United Kingdom |
| CS (Exeter) Limited | 100 | Cinema operations | United Kingdom |
| City Screen (Liverpool) Limited | 100 | Cinema operations | United Kingdom |
| CS (Norwich) Limited | 100 | Cinema operations | United Kingdom |
| Newman Online Limited | 100 | Software development and provider | United Kingdom |
| City Screen (S.O.A.) Limited | 100 | Cinema operations | United Kingdom |
| City Screen (Stratford) Limited | 100 | Cinema operations | United Kingdom |
| Picturehouse Bookings Limited | 100 | Ticket booking operations | United Kingdom |
| City Screen (York) Limited | 100 | Cinema operations | United Kingdom |
| Picturehouse Entertainment Limited | 100 | Film distribution | United Kingdom |
| Cinema Finco 2 Limited | 100 | Financing company | Ireland |
| Basildon Cinema 2 Limited | 100 | Cinema property leasing | Channel Islands |
| Basildon Cinema Number Two 2 Limited | 100 | Cinema operations | Channel Islands |
| Bromley Cinema 2 Limited | 100 | Cinema operations | Channel Islands |
| Empire Cinema 2 Limited | 100 | Cinema operations | Channel Islands |
| Hemel Hempstead Two Cinema 2 Limited | 100 | Cinema operations | Channel Islands |
| Newcastle Cinema 2 Limited | 100 | Cinema operations | Channel Islands |
| Poole Cinema 2 Limited | 100 | Cinema operations | Channel Islands |
| I.T. Planet Advertising Limited | 100 | Dormant | Israel |
| Norma Film Limited | 100 | Cinema operations | Israel |
| Cinemas Theatres Limited | 100 | Cinema operations | Israel |
| Cinema-Phone Limited | 100 | Cinema operations | Israel |
| Forum Film Limited | 100 | Cinema operations | Israel |
| IT Magyar Cinema Moziüzemeltetö és Filmforgalmazó K.F.T. | 100 | Cinema operations | Hungary |
| Palace Cinemas Hungary K.F.T. | 100 | Cinema operations | Hungary |
| Forum Hungary K.F.T. | 100 | Cinema operations | Hungary |
| New Age Cinema K.F.T. | 100 | Advertising | Hungary |
| Seracus Limited | 100 | Holding company | Cyprus |
| Cinema City Finance (2017) B.V. | 100 | Financing company | Netherlands |
| Forum 40 Fundusz Inwestycjny Zamkniety | 100 | Holding company | Poland |
| All Job Poland Sp. z o.o. | 100 | Cinema operations | Poland |
| CC Sp. Zoo | 100 | Fund general partner | Poland |
| Cinema City Poland Sp. z o.o. | 100 | Cinema operations | Poland |
| Cinema City Poland spolka komandytowa sp. Zoo (Poland) | 100 | Cinema operations | Poland |
| Forum Film Poland Sp. z o.o. | 100 | Film distribution | Poland |
| I.T. Poland Development 2003 Sp. z o.o. | 100 | Cinema operations | Poland |
| New Age Media Sp. z o.o. | 100 | Advertising | Poland |

| Name | Percentage ownership interest (%) | Nature of Business | Country of Incorporation |
|---|---|---|---|
| ***Principal Cineworld subsidiaries (indirectly held) (continued)*** | | | |
| Cinema City Czech s.r.o. | 100 | Cinema operations | Czech Republic |
| Forum Film Czech s.r.o. | 100 | Film distribution | Czech Republic |
| Forum Home Entertainment Czech s.r.o. | 100 | Film distribution | Czech Republic |
| Cinema City Slovakia s.r.o. | 100 | Cinema operations | Slovakia |
| Forum Film Slovakia s.r.o. | 100 | Film distribution | Slovakia |
| Cinema City Bulgaria EOOD | 100 | Cinema operations | Bulgaria |
| Forum Film Bulgaria EOOD | 100 | Film distribution | Bulgaria |
| Cinema City Romania SRL | 100 | Cinema operations | Romania |
| Forum Film Romania SRL | 100 | Film distribution | Romania |
| New Age Romania SRL | 100 | Advertising | Romania |
| Cinema City Cinemas sp. Zoo | 100 | Group services | Poland |
| Northfleet sp. Zoo | 100 | General partner | Poland |
| Crown Intermediate HoldCo, Inc. | 100 | Holding company | Delaware, USA |
| Crown Merger Sub, Inc. | 100 | Acquisition vehicle | Delaware, USA |
| Crown Finance US, Inc. | 100 | Financing company | Delaware, USA |
| ***Principal Regal subsidiaries (directly held)*** | | | |
| Regal Entertainment Holdings, Inc. | 100 | | Delaware, USA |
| Regal Entertainment Holdings II, LLC | 100 | | Delaware, USA |
| ***Principal Regal subsidiaries (indirectly held)*** | | | |
| A 3 Theatres of San Antonio, Ltd | 100 | | Texas, USA |
| A 3 Theatres of Texas, Inc. | 100 | | Delaware, USA |
| AC JV, LLC | 100 | | Delaware, USA |
| Cinebarre, LLC | 100 | | Delaware, USA |
| Consolidated Theatres Management, L.L.C. | 100 | | Delaware, USA |
| Crown Theatre Corporation | 100 | | Missouri, USA |
| Eastgate Theatre, Inc. | 100 | | Oregon, USA |
| Edwards Theatres, Inc. | 100 | | Delaware, USA |
| Frederick Plaza Cinemas, Inc. | 100 | | Maryland, USA |
| Great Escape LLC | 100 | | Indiana, USA |
| Great Escape of Nitro, LLC | 100 | | Indiana, USA |
| Great Escape of O'Fallon, LLC | 100 | | Indiana, USA |
| Great Escape Theatres, LLC | 100 | | Indiana, USA |
| Great Escape Theatres of Bowling Green, LLC | 100 | | Kentucky, USA |
| Great Escape Theatres of Harrisburg, LLC | 100 | | Pennsylvania, USA |
| Great Escape LaGrange LLC | 100 | | Indiana, USA |
| Great Escape Theatres of Lebanon, LLC | 100 | | Indiana, USA |
| Great Escape Theatres of New Albany, LLC | 100 | | Indiana, USA |
| Hollywood Theaters, Inc. | 100 | | Delaware, USA |
| Hollywood Theaters III, Inc. | 100 | | Delaware, USA |
| Hoyts Cinemas Corporation | 100 | | Delaware, USA |
| Interstate Theatres Corporation | 100 | | Massachusetts, USA |
| Lois Business Development Corporation | 100 | | Hawaii, USA |
| McIntosh Properties LLC | 100 | | Indiana, USA |
| Next Generation Network, Inc. | 100 | | Delaware, USA |
| Open Road Releasing, LLC | 100 | | Delaware, USA |
| Palace Suite, Inc. | 100 | | New York, USA |
| R and S Theaters, Inc. | 100 | | Mississippi, USA |

| Name | Percentage ownership interest (%) | Nature of Business | Country of Incorporation |
|---|---|---|---|
| ***Principal Regal subsidiaries (indirectly held) (continued)*** | | | |
| Ragains Enterprises LLC | 100 | | Indiana, USA |
| RAM/UA-KOP, LLC | 100 | | Delaware, USA |
| R.C.Cobb, Inc. | 100 | | Alabama, USA |
| R.C.Cobb II, LLC | 100 | | Delaware, USA |
| RCI/FSSC, LLC | 100 | | New York, USA |
| RCI/RMS, LLC | 100 | | Delaware, USA |
| Regal/Cinebarre Holdings, LLC | 100 | | Delaware, USA |
| Regal Cinemas Corporation | 100 | | Delaware, USA |
| Regal Cinemas Holdings, Inc | 100 | | Delaware, USA |
| Regal Cinemas, Inc. | 100 | | Tennessee, USA |
| Regal Cinemas II, LLC | 100 | | Delaware, USA |
| Regal CineMedia Corporation | 100 | | Virginia, USA |
| Regal CineMedia Holdings, LLC | 100 | | Delaware, USA |
| Regal/DCIP Holdings, LLC | 100 | | Delaware, USA |
| Regal Distribution, LLC | 100 | | Delaware, USA |
| Regal Distribution Holdings, LLC | 100 | | Delaware, USA |
| Regal Gallery Place, LLC | 100 | | District of Columbia, USA |
| Regal Investment Company | 100 | | Colorado, USA |
| Regal Stratford, Inc. | 100 | | Tennessee, USA |
| Richmond I Cinema, L.L.C. | 100 | | Delaware, USA |
| San Francisco Theatres, Inc. | 100 | | California, USA |
| UA SHOR LLC | 100 | | Delaware, USA |
| UA Swansea, LLC | 100 | | Tennessee, USA |
| United Artists Properties I Corp. | 100 | | Colorado, USA |
| United Artists Realty Company | 100 | | Delaware, USA |
| United Artists Theatre Circuit, Inc. | 100 | | Maryland, USA |
| United Artists Theatre Circuit II, LLC | 100 | | Delaware, USA |
| United Artists Theatre Company | 100 | | Delaware, USA |
| United Stonestown Corporation | 100 | | California, USA |
| Valeene Cinemas, LLC | 100 | | Indiana, USA |
| Wallace Theater Holdings, Inc. | 100 | | Delaware, USA |
| Wallace Theaters – Guam, Inc. | 100 | | Guam, USA |
| Wallace Theaters – Saipan, Inc | 100 | | Northern Mariana Islands, USA |

## 6. Material contracts

### 6.1 *Cineworld's material contracts*

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) which has been entered into by members of the Cineworld Group: (i) within the two years immediately preceding the date of this document and which is, or may be, material; or (ii) which contains any provision under which any member of the Cineworld Group has any obligation or entitlement which is material to the Cineworld Group as at the date of this document.

(a) *Non disclosure agreement*

On 4 October 2017, Cineworld and Regal entered into a mutual confidentiality agreement in a customary form in relation to the Transaction, pursuant to which they each undertook, among other things and subject to certain exceptions, to keep information relating to one another confidential and not to disclose it to third parties (other than certain permitted persons) unless required by law or regulation. Unless terminated earlier, the confidentiality obligations will remain in force for a period of 24 months from the date of the agreement.

(b) *Merger Agreement*

A description of the principal terms of the Merger Agreement is set out in Part III (*Terms and Conditions of the Acquisition*) of this document.

(c) *Underwriting Agreement*

On 5 December 2017, the Company entered into the Underwriting Agreement with the Underwriters and the Sponsor. The Underwriting Agreement provides for a volume underwriting under which the number of new ordinary shares in the capital of the Company to be issued has been set by reference to the total proceeds to be raised by the Rights Issue. On 17 January 2018, the Company entered into a pricing memorandum, which sets out the Rights Issue Price per New Ordinary Share and the basis of the Rights Issue. Pursuant to the terms and conditions of the Underwriting Agreement:

(i) the Underwriters have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for the New Ordinary Shares, or failing which, the Underwriters will themselves in their Due Proportions, severally subscribe for the New Ordinary Shares not taken up or will procure sub-underwriters to do so, in each case, at the Rights Issue Price; and

(ii) the Company has also appointed the Sponsor in connection with the Acquisition, the Rights Issue, Admission of the New Ordinary Shares and Re-admission.

The Company has agreed to pay the Underwriters: (a) a base fee of 1.80 per cent. of the Gross Proceeds, payable to the Underwriters in their Due Proportions; (b) an incentive fee of 0.15 per cent. of the Gross Proceeds, payable at the Company's sole discretion as to payment and allocation; and (c) subject to a cap of 0.25 per cent. of the Maximum Underwritten Amount, a ticking fee of 0.03 per cent. of the Maximum Underwritten Amount, with respect to each seven day period for the period from and including the date of the Underwriting Agreement until the Dealing Day prior to the date of this document, in each case excluding amounts in respect of VAT (if applicable). Neither the base fee nor the incentive fee becomes payable if the Underwriting Agreement is terminated.

The Company has given customary representations and warranties to the Underwriters as to the accuracy of the information contained in this document and other relevant documents, and in other matters relating to the Company, Regal, the Cineworld Group and the Regal Group. In addition, the Company has given customary indemnities to the Underwriters and certain indemnified persons connected with each of them. These indemnities do not apply to certain losses or claims if, and then to the extent only that, such losses or claims are finally judicially determined by a court of competent jurisdiction to have been caused by the fraud, gross negligence or wilful default of the Underwriters and/or those indemnified persons.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain customary conditions including, amongst others:

(i) the fulfilment by the Company of certain of its obligations under the Underwriting Agreement, including the delivery of certain documents to the Underwriters by the times and dates specified in the Underwriting Agreement;

(ii) Admission of the New Ordinary Shares occurring not later than 8.00 a.m. on the first dealing day after the date of the General Meeting;

(iii) there having been no material adverse change in the Company or the Cineworld Group at any time from the date of the Underwriting Agreement to the date of Admission of the New Ordinary Shares; and

(iv) there having been no material adverse change in Regal and the Regal Group at any time from the date of the Underwriting Agreement to the date of Admission of the New Ordinary Shares.

Prior to Admission of the New Ordinary Shares, the Underwriters may terminate the Underwriting Agreement if, amongst other things:

(i) any of the conditions are not satisfied (and not waived by the Underwriters); or

(ii) there has been an occurrence, which the Underwriters believe would make it inadvisable or impracticable to proceed with the Rights Issue, including, among other things, any material adverse change in the financial markets in the US or the UK, which the Underwriters consider to be material in the context of the Cineworld Group, the Rights Issue, the underwriting of the New Ordinary Shares, the Acquisition, Admission of the New Ordinary Shares or Re-admission.

The Company has given certain undertakings, including that, without the prior written consent of the Underwriters, it will not (and will use reasonable endeavours to procure that no member of the Cineworld Group will):

(i) until 30 days after Re-admission: (a) take any step which would be materially inconsistent with, or represent a material departure from or new development in, any disclosure or expression of policy or intention or statement contained in the prospectus, which is materially adverse; (b) enter into any commitment or agreement, or put itself in a position where it is obliged to announce that any commitment or agreement may be entered into, which is reasonably likely to be material, subject to certain exceptions; or (c) circulate, distribute, publish, issue or make any press or other public announcement concerning the Cineworld Group or the Regal Group which is or is reasonably likely to be materially adverse, subject to certain exceptions; and

(ii) until 180 days after the date which is 15 days after the date of the General Meeting: (a) allot, issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell, allot or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any rights in respect of Ordinary Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares; or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any equity securities of the Company. This restriction shall not apply to: (i) the issue of the New Ordinary Shares; (ii) the grant, exercise or vesting of options or rights under the Group's or the Regal Group's existing employee share schemes or other employee awards; (iii) the conversion of a security in existence on the date of this document; or (iv) provided that the Company consults with the Underwriters in advance, any share issue in connection with ordinary course recruitment, retention, incentivisation or remuneration of any Director or employee of the Company or any company that is a member of the Cineworld Group or the Enlarged Group.

(d) *Existing Debt Facilities*

The Cineworld Group entered into a five-year facility in January 2014 which included term loans of £165.0 million and €132.0 million and revolving credit facilities of £75.0 million and €60.0 million.

On 29 July 2015, the Cineworld Group signed an amendment and extension to its existing banking facility which was effective immediately upon signing and extends the facility to June 2020. As a result, the term loans were reduced from £157.5 million and €126.0 million to £130.0 million and €63.0 million. At the same time, the revolving credit facility was extended to £190.0 million. In August 2016, the Cineworld Group extended the single currency revolving credit facility to £215.0 million to partly fund the acquisition of five Empires cinemas from Cinema Holding Limited.

The facility remains subject to the existing two covenants: the ratio of EBITDA (as defined therein) to net debt and the ratio of EBITDAR (as defined therein) to net finance changes. A margin, determined by the results of the covenant tests at a given date is added to LIBOR and EURIBOR. The margin currently applicable to the Cineworld Group are 1.40 per cent. on the term loans and 1.15 per cent. of the revolving credit facility.

It is expected that the Existing Debt Facilities will be refinanced at or around Completion by drawing down on the Term Facility described in section 6.1(d) of this Part XIII.

(e) *Commitment Letter*

On 5 December 2017, Cineworld entered into the Commitment Letter with Barclays and HSBC (the **Commitment Parties**). Pursuant to the Commitment Letter, the Commitment Parties have committed to make the Debt Facilities available to one or more members of the Enlarged Group on or around Completion according to definitive credit documentation which is expected to be executed on or around Completion (the **Credit Agreement**). The final terms and conditions of the Credit Agreement are subject to further negotiation, although such terms and conditions are expected to reflect substantially those set out in the Commitment Letter.

The Commitment Parties have agreed to act as Joint Global Coordinators and Joint Bookrunners for the proposed arrangement and syndication of the Debt Facilities. In connection with their roles as such, each Commitment Party will be paid certain fees, documented in a separate confidential fee letter entered into between Cineworld and the Commitment Parties on 5 December 2017. Syndication is expected to occur prior to the execution of the definitive documentation for the Debt Facilities, which will be drafted to reflect the terms and conditions set out in detail within the Commitment Letter. The Company has undertaken to provide certain assistance in relation to such syndication efforts, including by the provision of customary "clear market" undertakings as well as an undertaking to provide certain information to be used by the Commitment Parties in marketing materials related to the Debt Facilities.

The obligations of the Commitment Parties under the Commitment Letter, as outlined above, will automatically terminate on the first to occur of:

(i) the consummation of the Acquisition without the use of the Debt Facilities;

(ii) the termination of the Merger Agreement in accordance with its terms; and

(iii) 11:59 p.m. (New York time) on 8 June 2018, unless the closing of the Debt Facilities and the initial funding of the Term Facility has been consummated on or before such date.

The Debt Facilities will be constituted by:

(i) a c.US$4.0 billion senior secured term loan facility (the **Term Facility**); and

(ii) a c.US$300 million senior secured revolving credit facility (the **RCF**).

The proceeds of loans under the Term Facility may be used to part finance the consideration for the Acquisition, to finance certain fees, premiums, expenses and other transaction costs incurred by members of the Cineworld Group in connection with the Acquisition and to refinance certain external financial indebtedness of the Company and Regal Group. The proceeds of loans under the RCF may be used for working capital, capital expenditures and general corporate purposes.

The final maturity date of the Term Facility will be seven years from the date on which Completion occurs and the initial borrowings are made under the Debt Facilities (the **Closing Date**). Loans drawn under the Term Facility will amortise in equal quarterly instalments in an aggregate annual amount equal to 1.0 per cent. of the aggregate principal amount of such loans borrowed on the Closing Date. The final maturity date of the RCF will be five years from the Closing Date.

Borrowings under the Debt Facilities may, at the relevant borrower's option, be maintained as base rate loans or LIBOR or EURIBOR loans. The interest rate for any interest period will be calculated according to the Credit Agreement as the aggregate of (in the case of base rate loans) the base rate and an applicable margin or (in the case of LIBOR or EURIBOR loans) the eurocurrency rate and an applicable margin. The Commitment Letter sets out the applicable margins which are expected to apply in respect of the Debt Facilities. Such figures may be subject to certain negotiated step-downs at the commencement of, and at certain points during the respective terms of, the Debt Facilities and may also be subject to amendment during syndication of the Debt Facilities pursuant to customary "market flex" provisions.

As at the date of publication of this document, the applicable margins in respect of the Term Facility are expected to be as follows:

(i) Base Rate loans denominated in US dollars – 1.75 per cent.;

(ii) LIBOR loans denominated in US dollars – 2.75 per cent.;

(iii) loans denominated in Pounds Sterling – 3.50 per cent.; and

(iv) loans denominated in euro – 3.00 per cent.

As at the date of publication of this document, the applicable margins in respect of the RCF are expected to be as follows:

(i) Base Rate loans denominated in US dollars – 2.00 per cent.;

(ii) LIBOR loans denominated in US dollars – 3.00 per cent.;

(iii) loans denominated in Pounds Sterling – 3.00 per cent.; and

(iv) loans denominated in euro – 3.00 per cent.

The obligations under the Credit Agreement will be guaranteed by various subsidiaries of Cineworld and will be secured by liens over all or substantially all of such subsidiaries' property and assets, including stock and other equity interests owned by such subsidiaries (subject to certain negotiated exceptions).

The Credit Agreement will include customary representations and warranties and events of default, as well as imposing a customary covenant package on each of the borrowers under the Term Facility and the RCF and certain other members of the Enlarged Group (the **Restricted Group**). Among other things, the covenant package will:

(i) require the delivery of periodic financial statements to the administrative agent;

(ii) require the post-Closing accession of such additional guarantors to the Debt Facilities as are necessary to maintain a threshold "guarantor coverage test" (which test is expected to be set as a minimum percentage of consolidated EBITDA (as defined therein) and consolidated total assets of Cineworld's subsidiaries following the Closing Date);

(iii) restrict the incurrence of additional indebtedness by members of the Restricted Group, subject to certain negotiated exceptions;

(iv) restrict the creation or existence of additional security over the property and assets of the Restricted Group, subject to negotiated exceptions;

(v) restrict the making or maintenance of certain investments by members of the Restricted Group, subject to negotiated exceptions;

(vi) restrict the sale, conveyance, transfer, lease or other disposition of assets by members of the Restricted Group, subject to negotiated exceptions;

(vii) restrict the declaration, order, payment or making of any restricted payment (including dividends on, and redemptions of, common stock) by members of the Restricted Group, subject to negotiated exceptions (which exceptions shall include a specific cumulative yearly allowance for dividend payments); and

(viii) restrict certain transactions with affiliates of the Restricted Group, subject to negotiated exceptions.

No financial covenant shall apply in respect of the Term Facility. In respect of the RCF, a single financial covenant shall be in effect only if drawings under the RCF exceed 35 per cent. of total RCF commitments on the relevant testing date. The RCF financial covenant shall be limited to a maximum total net leverage ratio of 5.50 to 1.00 (which maximum is expected to be subject to one step-down to 5.00 to 1.00 on a date which is 18 months after the Closing Date). No other financial covenants shall apply in respect of the Debt Facilities.

The obligations of the Commitment Parties to make available and fund the Debt Facilities are subject to only limited conditions, detailed in the Commitment Letter, including:

(i) consummation of the Acquisition, in all material respects in accordance with the terms and conditions of the Merger Agreement, substantially concurrently with the initial funding of the Debt Facilities;

(ii) consummation of the Rights Issue prior to or substantially concurrently with the initial funding of the Debt Facilities;

(iii) the provision of certain financial statements to the Commitment Parties in respect of both the Company and Regal;

(iv) the accuracy of a limited set of representations and warranties made by Regal under the Merger Agreement, such as are material to the interests of the lenders under the Debt Facilities;

(v) the accuracy of a limited set of representations made by the Company in the definitive documentation for the Debt Facilities; and

(vi) the absence of a company material adverse effect (as defined in the Merger Agreement).

The Commitment Letter is, and the Credit Agreement will be, governed by the law of the State of New York.

(f) *Contingent Forward Transaction*

Given that the proceeds of the Rights Issue will be denominated in pounds sterling and the consideration for the Acquisition is payable in US dollars, Cineworld entered into a deal contingent foreign exchange forward transaction with a major financial institution on 5 December 2017, pursuant to which Cineworld has agreed to exchange a certain amount of pound sterling into US$2.270 billion at a pre-determined exchange rate (the **Forward**).

Cineworld's obligation to purchase, and the financial institution's obligation to sell, the US dollar amount will terminate if Completion does not occur by 5 June 2018 or the Merger Agreement is terminated prior to that date and a transaction substantially the same as the Acquisition is not entered into within a period of six months following such termination. It is expected that the settlement date of the Forward will be on or shortly before the date on which Completion occurs.

(g) *GCH Cineworld Undertaking and Anschutz Cineworld Voting Agreement*

A description of the principal terms of the GCH Cineworld Undertaking and the Anschutz Cineworld Voting Agreement is set out in Part III (*Terms and Conditions of the Acquisition*) of this document.

(h) *Acquisition of five Empire cinemas*

In July 2016, Cineworld entered into a purchase agreement to acquire five cinemas from Cinema Holdings Limited, the holding company of Empire Cinema Limited (**Empire**) and to sell to Empire a three screen Cineworld cinema in Haymarket. The aggregate consideration for the transaction was £94.5 million, comprised of 50 per cent. cash and 50 per cent. new ordinary shares in Cineworld which were issued during over a 12 month period following completion of the acquisition. The transaction completed in August 2016 and the issuance of the final tranche of consideration shares took place in August 2017.

6.2 ***Regal's material contracts***

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) which has been entered into by members of the Regal Group: (i) within the two years immediately preceding the date of this document and which is, or may be, material; or (ii) which contains any provision under which any member of the Regal Group has any obligation or entitlement which is material to the Regal Group as at the date of this document.

(a) *Non disclosure agreement*

A description of the mutual confidentiality agreement entered into between Cineworld and Regal in connection with the Transaction is set out at paragraph 6.1(a) of this Part XIII.

(b) *Merger Agreement*

A description of the principal terms of the Merger Agreement is set out in Part III (*Terms and Conditions of the Acquisition*) of this document.

(c) *Debt Financing*

A description of Regal's debt financing arrangements is set out in Part VII (*Operating and Financial Review of Regal*) of this document.

(d) *GCH Regal Undertaking*

A description of the principal terms of the GCH Regal Undertaking is set out in Part III (*Terms and Conditions of the Acquisition*) of this document.

## 7. Related party transactions

A description of the related party transactions that Cineworld has entered into is given in note 25 on page 117 of the Cineworld Group's 2014 Annual Report and Accounts, note 24 on page 126 of the Cineworld Group's 2015 Annual Report and Accounts, note 24 on page 128 of the Cineworld Group's 2016 Annual Report and Accounts and note 11 on page 19 of the Cineworld Group's 2017 Interim Report.

There have been no additional related party transactions by Cineworld during the period between 30 September 2017, being the date to which the unaudited interim financial results of the Cineworld Group set out in Section 3 of Part VIII (*Historical Financial Information relating to Cineworld*) of this document have been prepared, and the Latest Practicable Date.

## 8. Working capital statement

Cineworld is of the opinion that, after taking into account the net proceeds of the Rights Issue, the Debt Facilities and the bank and other facilities available to Cineworld, the working capital available for the

Cineworld Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of publication of this document.

## 9. Litigation

9.1 ***Cineworld***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Cineworld is aware) during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Cineworld Group.

9.2 ***Regal***

Subject to the matters disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Cineworld is aware) during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of Regal.

Regal is currently the subject of an investigation by the United States Department of Justice regarding potentially anticompetitive conduct and coordination among NCM, AMC and Regal and/or Cinemark. Additionally, it is the subject of investigations by various state attorneys general relating to its investments in various joint ventures, including NCM, as well as movie "clearances" whereby film distributors do not license the rights to exhibitors to play the same first-run feature length films at the same time in the same theatrical release zones. No proceedings have been commenced and it is not possible to quantity the amount of any damages at this stage.

## 10. No significant change

10.1 ***Cineworld***

There has been no significant change in the financial or trading position of the Cineworld Group since 30 September 2017, being the end of the last financial period of the Cineworld Group for which unaudited interim financial information has been provided.

10.2 ***Regal***

There has been no significant change in the financial or trading position of the Regal Group since 30 September 2017, being the end of the last financial period of the Regal Group for which audited interim financial information has been provided.

## 11. Mandatory bids and compulsory acquisition rules relating to Ordinary Shares

The Company is subject to the Takeover Code. Other than as provided by the Companies Act 2006 and the Takeover Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company. There have been no takeover bids by third parties during the period from incorporation to 31 December 2016 or in the current financial year.

## 12. Third-party information

Certain information has been obtained from external publications and is sourced in this document where the information is included. Cineworld confirms that this information has been accurately reproduced and, so far as Cineworld is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

## 13. General

Barclays has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

HSBC has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

Investec has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

The auditor and reporting accountant of the Company is KPMG LLP, whose address is at 15 Canada Square, London E14 5GL, and who is a member firm of the Institute of Chartered Accountants of England and Wales. KPMG LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports included in Part IX (*Historical Financial Information relating to Regal*), Part X (*Unaudited pro forma financial information*) and the Appendix (*Profit Forecasts and Estimate*) of this document, and has authorised the contents of those reports for the purposes of paragraph 5.5.3(2)(f) of the Prospectus Rules. As the Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, KPMG LLP has not filed and will not file a consent under the U.S. Securities Act of 1933.

The aggregate costs and expenses payable by Cineworld in connection with the Rights Issue and the Acquisition are estimated to amount to approximately £113 million (excluding amounts in respect of VAT). Total estimated costs and expenses are split as follows: Rights Issue £31 million and Acquisition £82 million.

## 14. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any Business Day, free of charge, at the registered office of the Company at 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, from the date of this document up to and including Re-admission:

(a) the Articles;

(b) the Merger Agreement;

(c) the audited financial statements of the Cineworld Group for the FY 2014, FY 2015 and FY 2016, the unaudited interim results of the Cineworld Group for the six month period ended 30 June 2017, the unaudited interim results of the Cineworld Group for the 2017 Nine Month Period and the 2016 Nine Month Period;

(d) the historical financial information of the Regal Group for FY 2014, FY 2015, FY 2016, and the 2017 Nine Month Period set out in Part IX (*Historical Financial Information relating to Regal*) of this document;

(e) the Accountant's Report on the historical financial information on Regal set out in Part IX (*Historical Financial Information relating to Regal*) of this document;

(f) the Accountant's Report on the Unaudited Pro Forma Information on the Enlarged Group set out in Part X (*Unaudited pro forma financial information*) of this document;

(g) the Accountant's Report on the Regal Profit Estimate set out in the Appendix (*Profit Forecasts and Estimate*) of this document;

(h) the letters of consent referred to in Section 13 of this Part XIII; and

(i) a copy of this document and the Form of Proxy.

## 15. Announcement of results of the Rights Issue

The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue.

# PART XIV

# DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this document:

| *Reference Document* | *Information incorporated by reference into this document* | *Page number in reference document* |
|---|---|---|
| **Cineworld Group's 2017 Interim Report** | Chief Executive Officer's Statement | 1 |
| | Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 8 |
| | Condensed Consolidated Statement of Financial Position | 9 |
| | Condensed Consolidated Interim Statement of Changes in Equity | 10 |
| | Condensed Consolidated Statement of Cash Flows | 12 |
| | Notes to the Interim Condensed Consolidated Financial Statements | 13 |
| | Independent Review | 20 |
| | Risks and Uncertainties | 21 |
| **Cineworld Group's 2016 Annual Report and Accounts** | Highlights 2016 | 1 |
| | Chairman's Statement | 4 |
| | Chief Executive Officer's Statement | 6 |
| | Market Overview | 8 |
| | Strategy including Key Performance Indicators | 12 |
| | Resources and Relationships | 18 |
| | Principal Risks and Uncertainties | 22 |
| | Financial Review | 28 |
| | Directors' Report (extract) | 76 |
| | Independent Auditors' Report | 79 |
| | Consolidated Statement of Profit or Loss | 82 |
| | Consolidated Statement of Other Comprehensive Income | 83 |
| | Consolidated Statement of Financial Position | 84 |
| | Consolidated Statement of Changes in Equity | 85 |
| | Consolidated Statement of Cash Flows | 86 |
| | Notes to the Consolidated Financial Statements | 87 |
| **Cineworld Group's 2015 Annual Report and Accounts** | Highlights 2015 | 1 |
| | Chairman's Statement | 6 |
| | Chief Executive Officer's Statement | 8 |
| | Market Overview | 10 |
| | Strategy including Key Performance Indicators | 14 |
| | Resources and Relationships | 20 |
| | Principal Risks and Uncertainties | 22 |
| | Financial Review | 29 |
| | Directors' Report (extract) | 78 |
| | Independent Auditors' Report | 81 |
| | Consolidated Statement of Profit or Loss | 84 |
| | Consolidated Statement of Other Comprehensive Income | 85 |
| | Consolidated Statement of Financial Position | 86 |
| | Consolidated Statement of Changes in Equity | 87 |
| | Consolidated Statement of Cash Flows | 88 |
| | Notes to the Consolidated Financial Statements | 89 |

| *Reference Document* | *Information incorporated by reference into this document* | *Page number in reference document* |
|---|---|---|
| **Cineworld Group's 2014 Annual Report and Accounts** | Highlights 2014 | 1 |
| | Chairman's Statement | 4 |
| | Market Overview | 10 |
| | Strategy including Key Performance Indicators | 14 |
| | Resources and Relationships | 16 |
| | Chief Executive Officer's Review | 18 |
| | Risks and Uncertainties | 26 |
| | Directors' Report (extract) | 67 |
| | Independent Auditors' Report | 70 |
| | Consolidated Statement of Profit or Loss | 73 |
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| | Consolidated Statement of Cash Flows | 77 |
| | Notes to the Consolidated Financial Statements | 78 |

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

These documents are also available on the Company's website at www.Cineworldplc.com.

Except as set out above, no other portion of these documents is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for the prospective investors or the relevant information is included elsewhere in this document.

# PART XV

# DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

| | |
|---|---|
| **2016 Nine Month Period** | the nine month period ended 30 September 2016; |
| **2017 AGM** | the annual general meeting of the Company held on 18 May 2017; |
| **2017 Nine Month Period** | the nine month period ended 30 September 2017; |
| **Acquisition** | the proposed acquisition of the entire issued and to be issued share capital of Regal pursuant to the Merger Agreement; |
| **ADA** | US Americans with Disabilities Act of 1990; |
| **Adelphi Plan** | the Adelphi-Carlton Limited Contributory Pension Plan; |
| **Adjusted EBITDA** | operating profit plus share of profits from associates using the equity accounting method net of tax adjusted for depreciation and amortisation, onerous lease charges and releases, impairments and reversals of impairments, transaction and reorganisation costs, gains/losses on disposals of assets and subsidiaries, and share of profits received from associates in excess of distributions or any undistributed such profits; |
| **Adjusted EBITDAR** | Adjusted EBITDA before rent costs; |
| **Admission** | admission of the New Ordinary Shares, nil paid, to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities; |
| **Alternative Acquisition Proposal** | a proposal, offer or indication of interest to merge or combine with the Regal Group, or otherwise acquire 20 per cent. or more of the Regal Shares or of the assets of the Regal Group; |
| **AMC** | AMC Entertainment, Inc.; |
| **Amended Senior Credit Facility** | the seventh amended and restated credit agreement between Regal Cinemas and Credit Suisse AG as Administrative Agent; |
| **Anschutz** | The Anschutz Corporation; |
| **Anschutz Cineworld Voting Agreement** | the voting and support agreement dated 5 December 2017 between Anschutz and the Company, a summary of which is contained in Part III (*Terms and Conditions of the Acquisition*) of this document; |
| **Articles** | the articles of association of Cineworld; |
| **Audit Committee** | the audit committee of Cineworld; |
| **Auditors** | KPMG LLP; |
| **Barclays** | Barclays Bank PLC, acting through its Investment Bank; |
| **Board** | the board of directors of the Company from time to time; |
| **Business Day** | any day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London; |

| | |
|---|---|
| **Cashless Take-up** | the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto); |
| **CAGR** | compound annual growth rate; |
| **CCI** | Cinema City International N.V., a company incorporated in The Netherlands; |
| **CEE** | Central and Eastern Europe or the Central and Eastern European Region, as the context requires; |
| **certificated or in certificated form** | in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST); |
| **CFIUS** | Committee on Foreign Investment in the United States; |
| **Cinema City** | the Cinema City Group's cinema business; |
| **Cineworld Acquisition Proposal** | a proposal, offer or indication of interest to merge or combine with the Cineworld Group, or otherwise acquire 20 per cent. or more of the Ordinary Shares or assets of the Cineworld Group; |
| **Cineworld Directors** | the directors of Cineworld, and **Cineworld Director** shall mean any one of them; |
| **Cineworld Group** | the Company together with its subsidiaries and subsidiary undertakings from time to time; |
| **Cineworld Group's 2014 Annual Report and Accounts** | the annual report and accounts of the Cineworld Group for the 53 week period ended 1 January 2015; |
| **Cineworld Group's 2015 Annual Report and Accounts** | the annual report and accounts of the Cineworld Group for the 52 week period ended 31 December 2015; |
| **Cineworld Group's 2016 Annual Report and Accounts** | the annual report and accounts of the Cineworld Group for the financial year ended 31 December 2016; |
| **Cineworld Group's 2017 Interim Report** | the unaudited interim results of the Cineworld Group for six month period ended 30 June 2017; |
| **Cineworld or the Company** | Cineworld Group plc, a company incorporated in England and Wales with registered number 05212407, whose registered office is at 8th Floor, Vantage London, Great West Road, Brentford TW8 9AG; |
| **Cineworld Shareholder Approval** | the approval of the Resolutions by Shareholders at the General Meeting; |
| **Cineworld Superior Proposal** | a Cineworld Acquisition Proposal which the Board determines in good faith and following consultation with its external advisers to constitute or to be reasonably expected to lead to a bona fide written proposal to acquire more than 50 per cent. of Ordinary Shares or of the assets of the Cineworld Group on terms which would be more favourable to Shareholders than the Merger Agreement; |
| **Cinema City Consideration Shares** | the 65,601,236 Ordinary Shares which were issued by Cineworld to the Major Shareholder pursuant to the Cinema City Combination; |

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| **Cinema City Group** | Cinema City Holding together with its subsidiaries and subsidiary undertakings; |
| **Cinema City Holding** | Cinema City Holding B.V.; |
| **Cinema City Combination** | Cineworld's acquisition of Cinema City, that completed on 27 February 2014; |
| **Cinemark** | Cinemark, Inc.; |
| **Closing Date** | the date on which Completion occurs and the initial borrowings are made under the Debt Facilities; |
| **Closing Price** | the closing middle market quotation of an Existing Ordinary Share as derived from the daily official list published by the London Stock Exchange; |
| **Commitment Letter** | the commitment letter, dated as of 5 December 2017, between, amongst others, the Company, Barclays and HSBC, a summary of which is contained in Section 6.1(e) of Part XIII (*Additional Information*) of this document; |
| **Commitment Parties** | Barclays and HSBC; |
| **Companies Act 2006** | the Companies Act 2006, as amended from time to time; |
| **Completion** | completion of the Acquisition; |
| **Credit Agreement** | the definitive credit documentation between Cineworld and the Commitment Parties to be entered into on or around Completion; |
| **CREST** | the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument; |
| **CREST Deposit Form** | the CREST deposit form set out on page 4 of the Provisional Allotment Letter; |
| **CREST Manual** | the rules governing the operation of CREST as published by Euroclear; |
| **CREST member** | a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations); |
| **CREST Proxy Instruction** | the message used for a proxy appointment made by means of CREST; |
| **CREST Regulations** | the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755), as amended; |
| **CSOP** | the Cineworld Group Company Share Option Plan; |
| **DCIP** | Digital Cinema Implementation Partners; |
| **DCM** | Digital Cinema Media Limited; |
| **Dealing Day** | a day upon which dealings in domestic securities may take place on the London Stock Exchange; |
| **Debt Facilities** | the RCF and the Term Facility; |
| **Debt Financing** | the debt financing contemplated by the Debt Facilities; |

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| **Designated Market Areas** | the designated market areas defined by Nielsen Media Research; |
| **DTR or Disclosure Guidance and Transparency Rules** | the Disclosure Guidance and Transparency Rules made by the FCA under section 73A of FSMA, as amended from time to time; |
| **Due Underwriting Proportions** | in the case of Barclays 40 per cent; in the case of HSBC 40 per cent; and in the case of Investec 20 per cent.; |
| **EEA** | the European Economic Area; |
| **EEA States** | the member states of the European Economic Area; |
| **Effective Time** | the time at which the certificate of merger is duly filed with the Secretary of State of Delaware or at such time as the Company and Regal may agree and specify in such certificate of merger, on the terms and subject to the conditions set out in the Merger Agreement; |
| **Employee Share Schemes** | the PSP, the Sharesave Scheme, the CSOP and LTIP; |
| **Enlarged Group** | the Cineworld Group as enlarged by the Rights Issue proceeds and the Acquisition (following completion of the Rights Issue and Completion, as applicable); |
| **EPS** | earnings per share before goodwill, amortisation and exceptional items; |
| **ERISA** | the US Employee Retirement Income Security Act of 1974; |
| **EU** | the European Union; |
| **EUR, euro or €** | the lawful currency of the EU; |
| **EURIBOR** | the euro interbank offered rate; |
| **Euroclear** | Euroclear UK & Ireland Limited, the operator of CREST; |
| **Exchange Act** | US Securities Exchange Act of 1934; |
| **Excluded Territories** | Australia, Canada, Hong Kong, Japan, the United States and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation, and **Excluded Territory** shall be construed accordingly; |
| **Executive Directors** | collectively, the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer of Cineworld, and **Executive Director** shall mean any one of them; |
| **Existing Debt Facilities** | the existing Cineworld Group debt facilities, a summary of which is contained in Section 6.1(d) of Part XIII (*Additional Information*) of this document; |
| **Existing Holding** | a Qualifying Shareholder's holding of Ordinary Shares on the Record Date; |
| **Existing Ordinary Shares** | the Ordinary Shares of one pence each in the capital of Cineworld in issue immediately prior to the Rights Issue; |
| **Ex-Rights Date** | the date on which the New Ordinary Shares are expected to commence trading ex-rights, being 8.00 a.m. on 5 February 2018; |
| **FCA** | the Financial Conduct Authority; |

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| **Form of Proxy** | the form of proxy enclosed with this document for use in connection with the General Meeting; |
| **Forward** | the deal contingent foreign exchange forward transaction dated 5 December 2017 between the Company and a major financial institution, a summary of which is contained in Section 6.1(f) of Part XIII (*Additional Information*) of this document; |
| **FSMA** | the Financial Services and Markets Act 2000, as amended from time to time; |
| **Fully Paid Rights** | rights to acquire New Ordinary Shares, fully paid; |
| **FY 2014** | the 53 week period ended 1 January 2015; |
| **FY 2015** | in the case of Cineworld, the 52 week period ended 31 January 2015, and in the case of Regal, the financial year ended 31 December 2015; |
| **FY 2016** | the financial year ended 31 December 2016; |
| **FY 2017** | the financial year ended 31 December 2017; |
| **FY 2018** | the financial year ended 31 December 2018; |
| **FY 2019** | the financial year ended 31 December 2019; |
| **General Meeting** | the general meeting of the Company proposed to be held at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF at 9.30 a.m. on 2 February 2018 to approve the Resolutions, the notice of which is contained in this document; |
| **GCH-Cineworld Undertaking** | the irrevocable undertaking made by the Major Shareholder in favour of Cineworld dated 5 December 2017, a summary of which is contained in Part III (*Terms and Conditions of the Acquisition*) of this document; |
| **GCH-Regal Undertaking** | the irrevocable undertaking made by the Major Shareholder in favour of Regal dated 5 December 2017, a summary of which is contained in Part III (*Terms and Conditions of the Acquisition*) of this document; |
| **Go-Shop Deadline** | midnight (New York Time) on 22 January 2018; |
| **Group** | the Cineworld Group, the Regal Group and/or the Enlarged Group, as the context permits; |
| **Gross Proceeds** | the Rights Issue Price multiplied by (the aggregate number of New Ordinary Shares less the total number of shares beneficially held by the Major Shareholder as at the date of the Underwriting Agreement); |
| **HMRC** | HM Revenue & Customs, the UK tax authority; |
| **HoldCo** | Crown Intermediate HoldCo, Inc., a Delaware corporation; |
| **HSBC** | HSBC Bank plc; |
| **HSR Act** | the US Hart-Scott-Rodino Antitrust Improvements Act of 1976; |

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| **IFRS** | International Financial Reporting Standards as adopted by the European Union; |
| **IMAX** | IMAX®; |
| **Information Statement Projections** | the unaudited long range financial projections contained in the Regal Information Statement relating to Regal for the period commencing 1 January 2018 and ending 31 December 2022; |
| **Investec** | Investec Bank plc; |
| **IRS** | US Internal Revenue Service; |
| **ISIN** | international securities identification number; |
| **KPMG** | KPMG LLP; |
| **Latest Practicable Date** | 16 January 2018; |
| **LIBOR** | The London interbank offered rate; |
| **Link Asset Services** | a trading name of Link Market Services Limited; |
| **Listing Rules** | the listing rules made by the FCA under section 73A of FSMA, as amended from time to time; |
| **London Gazette** | the official newspaper of the Crown; |
| **London Stock Exchange** | London Stock Exchange plc; |
| **LTIP** | long-term incentive scheme; |
| **LTIP CSOP** | the schedule designed to be registered with HM Revenue & Customs as a Schedule 4 CSOP Scheme (as defined in Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003; |
| **Margin Loan Facility** | the margin loan facility made available to the Major Shareholder pursuant to the Margin Loan Facility Agreement; |
| **Margin Loan Facility Agreement** | the margin loan facility agreement dated 4 December 2017 between the Major Shareholder as borrower, the Margin Loan Lenders as lenders, HSBC as facility agent and calculation agent and HSBC Corporate Trustee Company (UK) Limited as security agent in respect of the shareholding of the Major Shareholder in the Company; |
| **Margin Loan Lenders** | HSBC and Barclays; |
| **Market Abuse Regulation** | Regulation (EU) No. 594/2014 of the European Parliament and the Council of 16 April 2014 on market abuse; |
| **Major Shareholder** | Global City Holdings B.V. together with its subsidiaries that are the beneficial owners of Ordinary Shares from time to time; |
| **Maximum Underwritten Amount** | the exact Pounds Sterling amount that will be equal to US$2.27 billion (pursuant to the Contingent Forward Transaction) reduced by a percentage amount that is equal to ((the total number of shares beneficially held by Global City Holdings B.V. as at the date of the Underwriting Agreement divided by the entire issued share capital of the Company as at the date of the Underwriting Agreement) multiplied by 100); |

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| **member account ID** | the identification code or number attached to any member account in CREST; |
| **Member State** | a member state of the EEA; |
| **Merger Agreement** | the agreement and plan of merger dated 5 December 2017 between Regal, the Company, HoldCo and MergerCo pursuant to which the Company has agreed to acquire the entire issued and to be issued share capital of Regal Entertainment Group on the terms and subject to the conditions thereof, a summary of which is contained in Part III (*Terms and Conditions of the Acquisition*) of this document; |
| **MergerCo** | Crown Merger Sub, Inc., a Delaware corporation; |
| **MGM Scheme** | the MGM Pension Scheme; |
| **Money Laundering Regulations** | the Money Laundering Regulations (2007) S.I. 2012/2157, as amended; |
| **MTM Instruction** | many-to-many instruction which allows two CREST members to settle up to four movements of securities and create up to two assured payment obligations at the same time; |
| **National CineMedia or NCM** | National CineMedia, LLC; |
| **New Ordinary Shares** | 1,095,662,872 Ordinary Shares proposed to be issued by Cineworld pursuant to the Rights Issue; |
| **Nil Paid Rights** | New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue; |
| **Nomination Committee** | the nomination committee of Cineworld; |
| **Non-Executive Directors** | the Cineworld Directors who hold the position of Chairman or non-executive director, and **Non-Executive Director** shall mean any one of them; |
| **Notice of General Meeting** | the notice of General Meeting contained in this document; |
| **Official List** | the official list of the UKLA; |
| **Ordinary Shares** | the ordinary shares with a nominal value of one pence each in the capital of the Company including, if the context requires, the New Ordinary Shares; |
| **Overseas Shareholders** | Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom, and **Overseas Shareholder** shall be construed accordingly; |
| **PD Regulation** | the Prospectus Directive Regulation (No 2004/809/EC); |
| **Permitted US Shareholders** | Qualifying Shareholders resident in the United States permitted by Cineworld to participate in the Rights Issue (which for these purposes, where a Qualifying Shareholders holds as nominee, may be either the Qualifying Shareholder or the person for whom it is acting, directly or indirectly, as nominee); |
| **PFIC** | Passive Foreign Investment Company as defined by the IRS code; |

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| **Picturehouse** | Picturehouse Cinemas Limited (formerly City Screen Limited) and its subsidiaries, acquired by the Cineworld Group on 6 December 2012; |
| **Pounds Sterling, Sterling, GBP, pence or £** | the lawful currency of the United Kingdom; |
| **PRA** | Prudential Regulation Authority; |
| **Prospectus Directive** | Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC (the PD Amending Directive) to the extent implemented in the relevant EEA State) and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC; |
| **Prospectus or this document** | this combined prospectus and Class 1 circular; |
| **Prospectus Rules** | the prospectus rules made by the FCA under section 73A of FSMA, as amended from time to time; |
| **Provisional Allotment Letter** | the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders; |
| **PSP** | the Cineworld Group Performance Share Plan; |
| **QIB** | qualified institutional buyers within the meaning of Rule 144A under the Securities Act; |
| **Qualifying CREST Shareholders** | Qualifying Shareholders holding Ordinary Shares on the register of members of the Company on the Record Date which are in uncertificated form; |
| **Qualifying Non-CREST Shareholders** | Qualifying Shareholders holding Ordinary Shares on the register of members of the Company on the Record Date which are in certificated form; |
| **Qualifying Shareholders** | holders of Ordinary Shares who are on Cineworld's register of members at the Record Date; |
| **RCF** | the senior secured revolving credit facility made available under the Debt Facilities; |
| **Re-admission** | re-admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities; |
| **Receiving Agent** | Link Asset Services; |
| **Record Date** | close of business on 31 January 2018; |
| **Regal** | Regal Entertainment Group; |
| **Regal 2018 Forecast** | the profit forecast for FY 2018 made on a conference call for Regal's unaudited quarterly results for the quarter ended 30 September 2017, the transcript of which was published on 24 October 2017; |
| **Regal Adjusted EBITDA** | net income attributable to controlling interests adjusted for interest expense, net, provision for income taxes, depreciation and amortisation, net loss on disposal and impairment of operating assets and other, share-based compensation expense, acquisition |

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| | related costs, loss on extinguishment of debt, gain on sale of Open Road Films investment, earnings recognised from National CineMedia, cash distributions from National CineMedia and other non-consolidated entities, and non-controlling interest, net of tax and equity in income of non-consolidated entities and other, net; |
| **Regal Board** | the board of directors of Regal from time to time; |
| **Regal Cinemas** | Regal Cinemas, Inc., a Tennessee corporation; |
| **Regal Company Stock** | the Class A common stock, US$0.001 par value, of Regal together with the Class B common stock, US$0.001 par value, of Regal; |
| **Regal Financial Projections** | the Information Statement Projections and the Regal 2018 Forecast; |
| **Regal Group** | Regal together with its subsidiaries and subsidiary undertakings; |
| **Regal Information Statement** | the Schedule 14C filed by Regal in connection with the Acquisition on 22 December 2017; |
| **Regal Profit Estimate** | the unaudited financial projection contained in the Regal Information Statement relating to Regal for FY 2017; |
| **Regal Share** | a share of the Regal Company Stock; |
| **Regal Stockholder Approval** | the approval of the Merger Agreement by the Regal Stockholders, by way of a Written Consent delivered by Anschutz or, if such Written Consent is not delivered, at a meeting of the Regal Stockholders; |
| **Regal Stockholders** | the holders of Regal Company Stock; |
| **Registrar** | Link Asset Services; |
| **Regulation S** | Regulation S under the Securities Act; |
| **regulatory authority** | any central bank, ministry, governmental, quasi-governmental (including the EU), supranational, statutory, regulatory or investigative body or authority (including any national or supranational antitrust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the takeover panel, the FCA, the UKLA and the London Stock Exchange; |
| **Regulatory Information Service** | one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies; |
| **Remuneration Committee** | the remuneration committee of Cineworld; |
| **Resolutions** | the resolutions set out in the Notice of General Meeting and Resolution shall be construed accordingly; |
| **Restricted Group** | the borrowers under the Debt Facilities and certain other members of the Enlarged Group that are subject to the covenant package under the Debt Facilities; |

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| **Rights Issue** | the offer by way of rights to Qualifying Shareholders to acquire New Ordinary Shares on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter; |
| **Rights Issue Price** | 157 pence per New Ordinary Share; |
| **ROW** | Rest of the World and includes Poland, Hungary, Israel, Romania, Czech Republic, Bulgaria and Slovakia; |
| **SDRT** | UK stamp duty reserve tax; |
| **SEC** | the US Securities and Exchange Commission; |
| **Securities Act** | the US Securities Act of 1933, as amended from time to time; |
| **Shareholder** | any holder of Ordinary Shares registered on the register of members of the Company; |
| **Sharesave Scheme** | the Cineworld Group Sharesave Scheme; |
| **SMT** | the senior management team of Cineworld, including the Executive Directors; |
| **Special Dealing Service** | the dealing service being made available by Link Asset Services to Qualifying Non-CREST Shareholders who are private individuals with a registered address in the UK or any other jurisdiction in the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up; |
| **Special Dealing Service Terms and Conditions** | the terms and conditions of the Special Dealing Service; |
| **Sponsor** | Investec; |
| **Superior Acquisition Proposal** | an Alternative Acquisition Proposal which the Regal Board determines in good faith and following consultation with its external advisers constitutes or may reasonably be expected to lead to a bona fide written proposal to acquire more than 50 per cent. of the Regal Shares or of the assets of the Regal Group on terms which would be more favourable to Regal Stockholders than the Merger Agreement; |
| **Takeover Code** | the City Code on Takeovers and Mergers; |
| **Term Facility** | the senior secured term loan facility made available under the Debt Facilities; |
| **Theoretical Ex-Rights Price** | the price per Ordinary Share calculated as at a date by applying the following formula: (current price * Existing Ordinary Shares) plus (Rights Issue Price * New Ordinary Shares) divided by Existing Ordinary Shares plus New Ordinary Shares; |
| **Transaction** | the Acquisition, the Rights Issue and the Debt Facilities; |
| **UK Corporate Governance Code** | the corporate governance code issued by the Financial Reporting Council in the United Kingdom from time to time; |
| **UKLA** | the FCA acting in its capacity as the competent authority under FSMA; |

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| **uncertificated or in uncertificated form** | in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST; |
| **Uncertificated Securities Regulations** | the Uncertificated Securities Regulations 2001 as amended from time to time; |
| **Underwriters** | Barclays, HSBC and Investec; |
| **Underwriting Agreement** | the underwriting and sponsor's agreement dated 5 December 2017 between the Company, the Sponsor and the Underwriters, a summary of which is contained in Section 6.1(c) of Part XIII (*Additional Information*) of this document; |
| **United Kingdom or UK** | the United Kingdom of Great Britain and Northern Ireland; |
| **United States or US** | the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction; |
| **USD, US$ or US dollar** | the lawful currency of the United States; |
| **US GAAP** | US Generally Accepted Accounting Principles; |
| **VAT** | value added tax or similar sales or turnover tax or levy imposed in any jurisdiction; and |
| **Written Consent** | a written consent to be delivered by Anschutz substantially in the form prescribed in the Anschutz-Cineworld Voting Agreement. |

# NOTICE OF GENERAL MEETING

## Cineworld Group plc

*(incorporated and registered in England and Wales with registered number 05212407)*

**NOTICE IS HEREBY GIVEN** that a general meeting of Cineworld Group plc (the **Company**) will be held at 9.30 a.m. on 2 February 2018 at the Cineworld Cinema in Wandsworth, Southside Shopping Centre, Wandsworth High Street, London SW18 4TF (the **General Meeting**) for the purposes of considering and, if thought fit, passing the following resolutions which shall be proposed as ordinary resolutions (which means that for the resolution to be passed, more than half of the votes cast must be in favour of the resolution).

1. THAT, subject to the passing of resolution 2 below, the proposed acquisition of the entire issued and to be issued share capital of Regal Entertainment Group (the **Acquisition**) pursuant to the terms and subject to the conditions contained in the agreement and plan of merger dated 5 December 2017 between the Company, Regal Entertainment Group, Crown Intermediate HoldCo, Inc. and Crown Merger Sub, Inc. (the **Merger Agreement**) and all other agreements and ancillary arrangements contemplated by the Merger Agreement be and are hereby approved and that the directors of the Company (the **Directors**) (or any duly constituted committee of the Directors) be and are hereby authorised to take all such steps as may be necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (provided such modifications, variations or amendments are not of a material nature) as they shall deem necessary, expedient or desirable; and

2. THAT, subject to the passing of resolution 1 above and subject to and conditional upon admission to listing on the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's main market for listed securities of the new ordinary shares of one pence each to be issued by the Company in connection with the issue by way of rights of up to 1,095,662,872 new ordinary shares at a price of 157 pence per new ordinary share to qualifying shareholders on the register of members of the Company at the close of business on 31 January 2018 (the **Rights Issue**) and in addition, to the extent unutilised, to the authority conferred on them at the last annual general meeting of the Company on 18 May 2017, the Directors be are hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for shares in the Company up to a nominal amount of £10,956,628.72 in connection with the Rights Issue, such authority to expire (unless previously revoked by the Company) at the close of business on 4 June 2018, except that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares or grant rights in pursuance of such offers or agreements as if the power conferred hereby had not expired.

17 January 2018

*By the order of the Board*

**Fiona Smith**
*Company Secretary*

*Registered office:*

8th Floor
Vantage London
Great West Road
Brentford TW8 9AG

**Notes:**

Note 1

Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the General Meeting. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the proxy form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the proxy form together with the number of shares in relation to which the proxy is authorised to act. A failure to specify the number of shares each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. The box on the proxy form must also be marked with a cross to indicate that the proxy instruction is one of multiple instructions being given. All proxy forms must be signed.

The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in Note 2) will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.

A form of proxy is enclosed with this notice. To be valid, the form of proxy, together with the power of attorney or other authority under which it is signed (or a notarially certified copy of such power or authority), must be deposited with the Company's Registrars, Link Asset Services, not later than 9.30 a.m. on 31 January 2018 or not less than 48 hours before the time of the General Meeting if it is adjourned. Alternatively, to appoint a proxy online (which must be done by the same deadline as above), shareholders may go to the following website: www.signalshares.com. To register for Signal Shares enter "Cineworld Group plc". The Company's name will be presented on the next screen and you should click on this. Once you have clicked, you should follow the prompts on the screen by entering your surname, investor code, postcode, e-mail address and to select a password. Once registered, you will be able to complete your proxy appointment online.

A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder.

Note 2

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Link Asset Services (ID RA10) not later than 9.30 a.m. on 31 January 2018 or not less than 48 hours before the time of the General Meeting if it is adjourned. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Asset Services is able to retrieve the message by enquiry to CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations.

Note 3

A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **Nominated Person**) may, under an agreement between him/her and the shareholder by whom he/she is nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in notes 1 and 2 above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.

Note 4

Pursuant to regulation 41(1) of the Uncertificated Securities Regulations, only those shareholders registered in the register of members of the Company as at close of business on 31 January 2018 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If the meeting is adjourned for a longer period then, to be so entitled, a member must be entered on the Company's register of members at close of business on the date which is two days prior to the date fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

Note 5

As at 17 January 2018, the Company's issued share capital consists of 273,915,718 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 17 January 2018 are 273,915,718.

Note 6

All shareholders and their proxies attending have the right to ask questions at the meeting. The Company will answer any such questions relating to the business of the meeting, but it may not answer if (a) if it would involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is not desirable in the interests of the Company or the good order of the meeting that the question be answered.

Note 7

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Note 8

You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006 provided in this notice (or in any related documents including the Prospectus, Class 1 circular and Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Note 9

A copy of this notice can be found at www.Cineworldplc.com.

# APPENDIX

# PROFIT FORECASTS AND ESTIMATE

## 1. Regal profit forecasts relating to the period commencing 1 January 2018 and ending 31 December 2022

### 1.1 *Regal Financial Projections*

(a) *Information Statement Projections*

Regal has included in the Regal Information Statement certain unaudited long range financial projections relating to Regal as a standalone business without giving effect to the Acquisition for the period commencing 1 January 2018 and ending 31 December 2022 (the **Information Statement Projections**). The Information Statement Projections are included within the Regal Information Statement because they were made available to the Regal Board and Regal's financial advisers. Regal was required to include in the Regal Information Statement the opinion the Regal Board received from its financial advisers on the fairness, from a financial point of view, of the merger consideration offered by Cineworld to Regal Stockholders. In connection with that disclosure, Regal was required to disclose in the Regal Information Statement, among other things, the Information Statement Projections, which it supplied privately to its financial advisers for the purpose of the analyses underlying the opinion. The Information Statement Projections were included in the Regal Information Statement pursuant to requirements of the applicable rules and regulation promulgated by the SEC and were prepared by Regal in October 2017 without any input from Cineworld.

| *(in millions)* | *2018* | *2019* | *2020* | *2021* | *2022* |
|---|---|---|---|---|---|
| Regal Adjusted EBITDA(1) | $702.1 | $745.4 | $806.9 | $810.0 | $796.7 |
| Pro Forma Adjusted EBITDA(2) | $736.5 | $779.0 | $839.6 | $841.7 | $827.3 |

**Notes:**

(1) Regal Adjusted EBITDA refers to net income attributable to controlling interest adjusted for interest expense, net, provision for income taxes, depreciation and amortisation, net loss on disposal and impairment of operating assets and other, share-based compensation expense, acquisition related costs, loss on extinguishment of debt, gain on sale of Open Road Films investment, earnings recognised from National CineMedia, cash distributions from National CineMedia and other non-consolidated entities, and noncontrolling interest, net of tax and equity in income of non-consolidated entities and other, net.

(2) Beginning in 2018, Regal will be required to adopt the reporting requirements of ASU 2014-09, Revenue from Contracts with Customers, and its related interpretations. The adoption will result in an increase in reported revenue (and therefore to reported Regal Adjusted EBITDA) and a corresponding increase in reported interest expense. Pro forma Adjusted EBITDA illustrates the pro forma impact of this accounting change, which is limited to non-cash items, on the calculation of Regal Adjusted EBITDA. The impact of the adoption on net income is not expected to be material.

For the avoidance of doubt, the Pro forma Adjusted EBITDA projections referred to in this section do not constitute pro forma financial information as that term is used in LR 13.3.3R or Annexes 1 and 2 of the PD Regulation. Unaudited pro forma financial information illustrating the effect of the Rights Issue and Acquisition on the net assets of Cineworld as if the Rights Issue and Acquisition had taken place on 30 September 2017 and on the consolidated statement of profit or loss of Cineworld as if the Rights Issue and Acquisition had taken place on 1 January 2016 is set out at Part X (*Unaudited Pro Forma Financial Information*) of this document.

As noted above, the requirement for the Information Statement Projections to be included within the Regal Information Statement arose in connection with the fairness opinion rendered by Regal's financial advisers. Regal does not, as a matter of course, publicly disclose financial forecasts as to future performance, earnings or other results due to, among other reasons, the inherent difficulty of accurately predicting financial performance for future periods and the uncertainty of underlying assumptions and estimates. The Information Statement Projections were provided to the Regal Board and their advisers solely in connection with the evaluation of the Acquisition. The Information

Statement Projections were not prepared with a view toward complying with generally accepted accounting principles (**GAAP**), the published guidelines of the SEC regarding projections or the use of non-GAAP financial measures or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, no registered public accounting firm has audited, compiled, examined or performed any procedures with respect to the Information Statement Projections nor expressed any opinion or given any other form of assurance with respect thereto.

As stated in the Regal Information Statement, the Information Statement Projections were not prepared with a view towards public disclosure and were not included in the Regal Information Statement to influence Regal Stockholders' decision as to whether to exercise appraisal rights. As such, the inclusion of the Information Statement Projections in the Regal Information Statement should not be regarded as an indication that Regal, the Regal Board, its advisers or any other recipient of this information considered, or now considers, the Information Statement Projections to be information material to Regal or to be necessarily predictive of actual future results.

(b) *Regal 2018 Forecast*

On a conference call for Regal's unaudited quarterly results for the quarter ended 30 September 2017, the transcript of which was published on 24 October 2017, Regal made the following profit forecast for FY 2018 (the **Regal 2018 Forecast**, together with the Information Statement Projections, the **Regal Financial Projections**):

"*Looking ahead to 2018, we believe that a return to industry attendance levels experienced in 2015 and 2016, combined with the market share growth generated by our return-oriented investments will produce adjusted EBITDA that is well ahead of Wall Street estimates.*"

1.2 ***Regal Financial Projections no longer valid***

For the reasons set out below, the Cineworld Directors consider that the Regal Financial Projections are no longer valid.

(a) *Assumptions underpinning the Regal Financial Projections*

The Information Statement Projections were prepared in October 2017 and the Regal 2018 Forecast was made in October 2017. Each of these forecasts were based on assumptions and estimates considered reasonable by Regal as at that date. The Regal Financial Projections were prepared wholly independently of Cineworld and reflect the view of the Regal management team as to the future performance of Regal as a stand-alone business.

As set out on pages 48-49 of this document, Completion is currently expected to take place on or prior to 2 March 2018. There will therefore be approximately nine months of the current financial year remaining at the time of Completion. The Cineworld Directors consider that certain changes to be implemented by Cineworld following Completion (each of which is described in more detail below) will have a significant effect on Regal and its financial results for the current financial year and any subsequent financial years, rendering the Regal Financial Projections and the assumptions on which they were based no longer valid.

The principal changes expected to affect the financial results of Regal during the remainder of the current financial year and beyond are summarised below:

*Combination benefits and strategy*

The Board believes that the Cineworld management team can create significant value and returns in the Enlarged Group by improving the customer experience in the United States, which is expected to result in attendance and yield growth. Cineworld intends to apply its successful practices of cutting edge cinema settings, technologies, innovation, loyalty programmes and other business initiatives to Regal.

The Board believes that the Enlarged Group will be able to accrue considerable additional benefits from the sharing of best practices between Cineworld and Regal. Management intends to implement its best practices in the Enlarged Group as it believes there are opportunities to grow in more mature markets if best practices are shared. Examples of such best practice include enhancing the customer's experience through venue refurbishments and better seating, diversifying multiplex offering using latest technology, loyalty programmes, accretive bolt-on acquisitions and adopting a highly disciplined approach to costs.

As stated in section 2 of Part I (*Letter from the Chairman*) of this document, the Cineworld Directors expect the Enlarged Group to achieve annualised pre-tax combination benefits consisting of:

- approximately US$60 million relating to cost reduction including the elimination of duplicated corporate costs, public company expenses and functional overheads, the optimisation of functions and economies of scale; and
- approximately US$40 million in benefits from business initiatives and implementing best practices across sales and marketing, customer experience and other income.

The Board expects that these combination benefits will be equally phased in FY 2018 and FY 2019 and will therefore have an impact on the business and financial results of Regal during the current financial year and beyond, assuming that Completion takes place in line with the expected timetable set out on pages 48-49 of this document.

It is expected that Regal's revenues and operating and administrative expenses in each of FY 2018, FY 2019, FY 2020, FY 2021 and FY 2022 will be impacted by the above factors. As a result, the assumptions contained in the Regal Financial Projections in respect of each financial year are likely to be rendered inaccurate by the Acquisition and the Regal Adjusted EBITDA predictions included in the Regal Financial Projections are therefore expected to be no longer valid following Completion.

*Transaction costs*

Regal is expected to incur transaction costs of approximately US$50 million in connection with the Acquisition. The Regal Financial Projections do not take account of these costs, the majority of which are expected to be payable in FY 2018. Consequently, the Regal Adjusted EBITDA predication contained in the Regal Financial Projections for FY 2018 are expected to no longer be valid following Completion.

(b) *Period covered by the Regal Financial Projections*

The Regal Financial Projections cover multiple years and such information by its nature becomes less predictable with each successive year. They do not take account of events occurring after the date of preparation nor any circumstances resulting from the Acquisition. As noted in the Regal Information Statement, the Information Statement Projections are based on numerous variables and assumptions that are inherently uncertain and may be beyond Regal's control. The same is true of the Regal 2018 Forecast. Various risks, contingencies and other uncertainties may affect actual results and cause them to differ from the Regal Financial Projections. In particular, Regal's results of operations depend heavily on the performance of the film slate in a given financial period. Film release dates are made available at different times for different films, and cinema exhibition businesses are typically only aware of the full forthcoming film slate 18 to 24 months in advance. As a result, it becomes increasingly difficult to predict the make-up and performance of the film slate and their impact on Regal's results of operations with each successive year.

1.3 ***Reassessment of Regal Financial Projections is not necessary***

The Cineworld Directors believe that Shareholders should only consider reliable information when making their assessment of the Acquisition and when considering how to vote at the General Meeting. The Board does not consider the Regal Financial Projections to constitute reliable information for these purposes, as they do not accurately reflect future performance of the Enlarged Group following Completion.

Furthermore, the Cineworld Directors do not consider estimates or forecasts of Regal's standalone performance, whether for the current financial year or longer, represent information necessary for Shareholders to make an informed decision as to how to vote at the General Meeting. The Cineworld Directors consider that Shareholders should rely on the other indicators of the future performance of the Enlarged Group included within this document. This is in part because, following Completion, Regal will become a subsidiary of Cineworld and the Regal business will be integrated into, and managed as part of, Cineworld (resulting in numerous changes to the operating model of the Regal business affecting its ongoing cost base and revenue streams). Additionally, even were the Regal Financial Projections to be reassessed, they would continue not to be valid as it would not be possible to accurately predict future performance of the Regal business taking into account Regal's expected integration into Cineworld. Consequently, any reassessed forecast would not represent reliable information upon which Shareholders could rely in their decision as to how to vote at the General Meeting.

The Cineworld Directors consider that any profit forecast for Regal would not be prepared to a sufficiently high standard in order to be relied upon by Shareholders when deciding how to vote at the General Meeting. This is because Cineworld has yet to finalise the detailed operating model of the Enlarged Group and the detailed plans for integration of Regal, post-Completion (notwithstanding a significant amount of preparatory work which has already been undertaken, particularly in relation to combination benefits).

The Cineworld Directors consider the information included within, or incorporated by reference into, this document (namely information in relation to the Enlarged Group as well as historical information in respect of Regal's current operations, its current trading and its historical financial performance) to represent all of the material information necessary for Shareholders to decide how to vote at the General Meeting.

To the extent that Shareholders wish to evaluate the future potential performance of the Enlarged Group, Shareholders should refer to the detailed information included elsewhere in this document in respect of combination benefits, group structuring benefits and Cineworld's and Regal's operations more generally.

1.4 ***Shareholders should disregard the Regal Financial Projections***

For the reasons stated above, the Cineworld Directors consider that the Regal Financial Projections are no longer valid and do not require reassessment. The Cineworld Directors recommend that Shareholders disregard the Regal Financial Projections in their entirety when evaluating the Acquisition.

## 2. Regal profit estimate for the year ended 31 December 2017

2.1 ***Regal Profit Estimate***

Regal has included in the Regal Information Statement an unaudited financial projection relating to Regal for FY 2017 (the **2017 Information Statement Projection**). The requirement for the 2017 Information Statement Projection to be included in the Regal Information Statement arose in connection with the same opinion produced by Regal's financial advisers set out above in respect of the Information Statement Projections.

| *(in millions)* | *2017* |
|---|---|
| Regal Adjusted EBITDA | $617.1 |

The 2017 Information Statement Projection was prepared by Regal in October 2017, approximately three months prior to the end of FY 2017, and was based on assumptions and estimates considered reasonable by Regal as at that date. The 2017 Information Statement Projection, which constitutes a profit estimate for the purposes of the Listing Rules and the Prospectus Rules, has not been prepared on a basis consistent with the accounting policies of Cineworld. Regal Adjusted EBITDA comprises net income attributable to controlling interest adjusted for interest expense, net, provision for income taxes, depreciation and amortisation, net loss on disposal and impairment of operating assets and other, share-based compensation expense, acquisition related costs, loss on extinguishment of debt, gain on sale of Open Road Films investment, earnings recognised from National CineMedia, cash distributions from National CineMedia and other non-consolidated entities, and noncontrolling interest, net of tax and equity in income of non-consolidated entities and other, net whereas the Regal Profit Estimate (as defined below) comprises operating profit plus profit from associates before depreciation, impairments, reversals of impairments and amortisation, onerous lease and other non-recurring or non-cash property charges, transaction, pension, refinancing and reorganisation costs. Since the date on which the 2017 Information Statement Projection was prepared, the remainder of FY 2017 has elapsed. In the absence of unforeseen circumstances and on the basis set out below, the Cineworld Directors estimate that for FY 2017 Adjusted EBITDA for the Regal Group will be not less than US$575 million (the **Regal Profit Estimate**).

2.2 ***Basis of preparation***

The Regal Profit Estimate is based on the audited financial statements of Regal for the 2017 Nine Month Period and the unaudited management accounts for the two months ended 30 November 2017 and an estimate for the one month ended 31 December 2017.

The Regal Profit Estimate has been prepared on a basis consistent with the accounting policies of Cineworld which are expected to be adopted in its FY2017 financial statements and in accordance with IFRS (as adjusted in accordance with Cineworld's Non-GAAP policy with respect to Adjusted EBITDA).

KPMG

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**Accountant's report on the Regal Profit Estimate**

The Directors
Cineworld Group plc
8th Floor
Vantage London
Great West Road
Brentford TW8 9AG

17 January 2018

Ladies and Gentlemen

**Regal Entertainment Group**

We report on the profit estimate comprising Adjusted EBITDA of Regal Entertainment Group ('Regal') and its subsidiaries ('the Regal Group') for the year ended 31 December 2017 (the 'Regal Profit Estimate'). The Regal Profit Estimate and the basis on which it is prepared is set out on pages 308 to 309 of the combined Class 1 circular and prospectus (the 'Document') issued by Cineworld Group plc ('the Company') dated 17 January 2018. This report is required by paragraph 13.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Regal Profit Estimate in accordance with the requirements of the Prospectus Directive Regulation. In preparing the Regal Profit Estimate the directors of the Company are responsible for correcting errors that they have identified which may have arisen in the unaudited financial results and unaudited management accounts used as a basis of preparation for the Regal Profit Estimate.

It is our responsibility to form an opinion as required by the Prospectus Directive Regulation as to the proper compilation of the Regal Profit Estimate and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Document.

**Basis of preparation of the Regal Profit Estimate**

The Regal Profit Estimate has been prepared on the basis stated on page 309 of the Document and is based on the audited interim financial results for the nine months ended 30 September 2017, the unaudited management accounts for the two months ended 30 November 2017 and an estimate for the month to 31 December 2017. The Regal Profit Estimate is required to be presented on a basis consistent with the accounting policies of the Company.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the twelve months to 31 December 2017 included in the Regal Profit Estimate has been prepared and considering whether the Regal Profit Estimate has been accurately computed using that information and whether the basis of accounting used is consistent with the accounting policies of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Regal Profit Estimate has been properly compiled on the basis stated.

However, the Regal Profit Estimate has not been audited. The actual results reported, therefore, may be affected by revisions required to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the management accounts. Consequently, we can express no opinion as to whether the actual results achieved will correspond to those shown in the Regal Profit Estimate and the difference may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion the Regal Profit Estimate has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2) (f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP