CINEWORLD GROUP plc

Interim Results for the period ended 30 June 2020

Cineworld Group plc ("the Group") presents its interim results for the 6 month period ended 30 June 2020. These results are presented in US Dollars.

Summary

- The COVID-19 global pandemic has adversely affected the Group's results for the period, with all sites across the Group closed between mid-March to late June/August 2020
- 561 out of 778 sites are re-opened as at the date of this report, with 200 theatres in the US (mostly in CA and NY), 6 in the UK and 11 in Israel still closed
- Group revenue of $712.4m (2019: $2,151.2m) and Group Adjusted EBITDA $53.0m (2019: $758.6m) for the period was severely impacted by these cinema closures
- Management's main priorities have been the safety of customers and employees, cash preservation and cost reduction
- $360.8m additional liquidity raised during the period
- At the date of reporting negotiations with the banks remain ongoing in order to obtain covenant waivers in respect of December 2020 and June 2021. This has resulted in a disclaimer conclusion being issued by the auditor.
- Termination of Cineplex transaction in June 2020

Outlook

- Steady performance of re-opened sites in ROW territories and initial admission build-up in the UK and US driven by the release of "Tenet" and local movies
- There can be no certainty as to the future impact of COVID-19 on the Group. If Governments were to strengthen restrictions on social gathering, which may therefore oblige us to close our estate again or further push back movie releases, it would have a negative impact on our financial performance and likely require the need to raise additional liquidity. We have highlighted the potential impact this could have on the Group within our going concern statement in this document

Key Financial Information

	Statutory results for the 6 months ended 30 June 2020 (under IFRS 16)	Statutory results for the 6 months ended 30 June 2019 (under IFRS 16)	2020 Statutory results versus 2019	Results for the 6 months ended 30 June 2020 (under IAS 17)	Results for the 6 months ended 30 June 2019 (under IAS 17)
Admissions	47.5m	136.0m	(65.1%)	47.5m	136.0m
Revenue	$712.4m	$2,151.2m	(66.9%)	$712.4m	$2,151.2m
Adjusted EBITDA[(1)]	$53.0m	$758.6m	(93.0%)	($237.0m)	$488.5m
(Loss) / profit before tax	($1,644.7)	$139.7m			
Adjusted (loss) / profit before tax[(1)]	($567.7m)	$156.1m			
(Loss) / profit after tax	($1,582.5m)	$117.4m			
Adjusted (loss) / profit after tax[(1)]	($436.0m)	$128.6m			
Basic EPS	(115.3)c	8.6c			
Diluted EPS	(115.3)c	8.6c			
Adjusted diluted EPS[(1)]	(31.8)c	9.4c			

1. Refer to Note 2 for the full definition and reconciliation.

Alicja Kornasiewicz, Chair of Cineworld Group plc, said:

"It is a great honour to take on the role of Chair despite these difficult times. I look forward to continuing to work with the Board and the experienced and hands-on management team through the COVID-19 crisis and to implement the very clear strategy to make Cineworld "The best place to watch a movie" while ensuring that we create significant value for all stakeholders."

Commenting on these results, Mooky Greidinger, Chief Executive Officer of Cineworld Group plc, said:

"Despite the difficult events of the last few months, we have been delighted by the return of global audiences to our cinemas toward the end of the first half, as well as by the positive customer feedback we have received from those that have waited patiently to see a movie on the big screen again.

The impact of COVID-19 on our business and the wider leisure industry has been substantial, with the closures of all of our cinemas worldwide for an extended period. During this unprecedented time, our priority has been the safety and health of our customers and employees, while at the same time preserving cash and protecting our balance sheet. Our mitigating actions included reducing and deferring costs where possible; making use of government support schemes for our employees; partially delaying capital investments; and suspending our dividend. We have also raised an additional $360.8m of liquidity to support our business.

Current trading has been encouraging considering the circumstances, further underpinning our belief that there remains a significant difference between watching a movie in a cinema – with high quality screens and best-in-class sounds – to watching it at home. As part of this, our policy regarding the theatrical window remains unchanged as an important part of our business model, and we will continue to only show movies that respect it. While there continues to be a lot of uncertainty, we have a dedicated and experienced team that is focused on managing business continuity while taking advantage of the strong slate currently planned for the months ahead."

Details for analyst presentation

The results presentation is accessible via a listen-only dial-in facility and the presentation slides can be viewed online. The appropriate details are stated below:

Date:	24 September 2020
Time:	09:30am
Webcast link:	https://secure.emincote.com/client/cineworld/cineworld015/
Conference Call:	https://secure.emincote.com/client/cineworld/cineworld015/vip_connect

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Chief Executive Officer’s Statement

Overview

The Group's entire estate of 780 cinemas in 10 countries were closed between mid-March and re-opened starting late June with 217 cinemas still closed because of the COVID-19 global pandemic to ensure the health and safety of our customers, employees and other stakeholders. This has significantly impacted our financial performance during the first half of 2020 and has been extremely challenging for the Group.

During this period, we took every effort to mitigate the effect of the closures, to assist and protect our employees, to preserve cash and enhance our liquidity. These efforts included:

- Negotiations with our landlords for rent relief and deferral,
- Discussions with all key suppliers to reduce costs and implement payment plans
- Access to government employment schemes to support our part time, hourly cinema employees and head office staff
- Partial salary deferral for most of the HQ and full time employees
- Full salary deferral of Executive Directors during the period of closure
- Daily review and approval process of invoices and payments
- Curtailing all unnecessary capital expenditure
- Suspension of Group dividends
- Daily interaction with industry institutes and associations including the National Association of Theatre Owners (NATO), the Global Cinema Federation (GCF) and more

In order to support the business during closure and strengthen our position as we reopened globally, we raised an additional $360.8m of liquidity during the period, secured a covenant waiver for the June 2020 testing date. We welcomed the emergency government support programs to protect jobs and businesses in each of our markets as well business rates and tax reliefs that will continue to help our business in the coming months.

Re-opening of our estate

In-line with updates to government guidelines, we were pleased to re-open most of our cinema sites across the estate starting in late June and July. This included most territories in Europe and a partial re-opening in the U.S. in August/September. Israel is the only remaining territory where cinemas are closed.

We have invested in new technology to ensure a safe, but enjoyable cinematic experience for all our visitors. Among the new measures introduced include an, updated booking system to ensure social distancing within and throughout our auditoriums; careful consideration of our daily movie schedules to manage queues and avoid the build-up of crowds in our lobbies; the online purchase of concessions; and enhanced cleaning and sanitation procedures across all of our sites.

We remain heavily involved in the ‘CinemaSafe’ initiatives in the U.S. and continue to believe that cinemas are safer than most other out of home activities as customers remain in the same location, facing in the same direction toward the screen, and without close engagement with others.

Industry fundamentals and the respect for the theatrical window

Our industry has proved its resilience time and time again over many years, from the introduction of the first television to more recent innovations such as the VHS, DVD, and now Video on Demand (VoD). These streaming services are going through a period of growth, highlighted by new entrants such as Disney+, Apple TV+, HBO Max, however we remain convinced that the cinema provides a clearly differentiated proposition to these at-home activities. Seeing a blockbuster movie on the big screen compared to watching it at home on a TV or a mobile device is largely the same as how dining out at a restaurant and ordering a takeaway are very different consumer experiences. Against this backdrop, we believe that we offer excellent value in terms of an out-of-home experience. Human beings naturally do not want to stay at home seven days a week, particularly in light of COVID-19, so cinema-going is a very affordable alternative.

Our policy regarding the theatrical release window remains unchanged too. We see the window is an essential part of our business and most of our studio partners remain committed to it as huge supporters of the theatrical business. The window has clearly proven benefits for both the studios and the movie theatres. By playing new films in movie theatres for a set time period, the studios are able to generate significant extra revenue, while benefiting from the value it adds to the overall marketing of that movie, which in turn brings additional revenue as the film moves through subsequent distribution channels. More importantly, it enables consumers to see movies as they were intended to be made – to be seen with an audience on the big screen, with the best picture and sound quality adding to the overall viewing experience. Despite COVID-19 causing doubts about the industry, it is worth reiterating the 2019 global box office reached an all-time record of $42.5bn, demonstrating the growing strength of our industry across around the world prior to the pandemic. We believe that we can return to this performance should the situation normalise over time.

Cineplex

In June 2020, Cineworld terminated the arrangement agreement with Cineplex Inc. ("Cineplex") due to breaches by Cineplex of the arrangement agreement and this transaction will no longer proceed. Cineplex denies that it breached the arrangement agreement and has initiated proceedings against Cineworld to seek damages for the termination and what it describes as Cineworld breaches of the arrangement agreement. Cineworld denies that it breached the arrangement agreement and has submitted a defence to the Cineplex claim. Cineworld has itself filed a counterclaim against Cineplex for Cineworld's damages and losses suffered as a result of Cineplex's breaches and the termination of the arrangement agreement, including Cineworld's lost financing costs, advisory fees and other costs incurred (see note 18).

Current trading and outlook

We are encouraged by our recent performance in our newly reopened markets, in particular the good performance of Tenet earlier this month. We are excited by upcoming films for 2020 which include 'Wonder Woman 1984'; 'Black Widow'; the latest James Bond 'No Time To Die'; 'Dune'; 'West Side Story'; 'Soul' (new Pixar); 'Death on the Nile' and many more.

There can be no certainty as to the future impact of COVID-19 on the Group. If Governments were to strengthen restrictions on social gathering, which may therefore oblige us to close our estate again or further push back movie releases, it would have a negative impact on our financial performance and likely require the need to raise additional liquidity.

However, we are well prepared operationally for all possible eventualities and continue to monitor for any potential changes to government restrictions or guidelines. In the US, our largest market, California remains partially closed and New York is yet to re-open. We hope to see these states re-open in the near future, as they are important to the Group and to the theatrical industry as whole. We have highlighted the potential impact this could have on the Group within our going concern statement in this document

Financial Review

Group Revenue

	6 months to 30 June 2020	6 months to 30 June 2019	v 2019 (statutory basis)
Admissions	47.5m	136.0m	(65.1%)
	$m	$m	
Box office	391.3	1,268.8	(69.2%)
Retail	203.6	623.9	(67.4%)
Other income	117.5	258.5	(54.5%)
Total revenue	**712.4**	**2,151.2**	**(66.9%)**

Cineworld Group plc results are presented for the six-month period ended 30 June 2020 and reflect the trading and financial position of the US, UK & Ireland (“UK&I”) and Rest of the World (“ROW”) reporting segments (the “Group”). The global COVID-19 pandemic has had a significant adverse impact on the Group’s results for the period.

The principal revenue stream for the Group is Box Office. Box office revenue is a function of the number of admissions and the ticket price per admission, less sales tax. In addition, the Group operates membership schemes, which provide customers with access to screenings in exchange for subscriptions fees, and this revenue is reported as part of box office. Admissions depend on the number, timing and popularity of the films the Group is able to show in its cinemas.

The Group’s second most significant source of revenue is from retail sales of food and drink for consumption within cinemas. Retail revenue across the Group is driven by admissions trends within each operating territory.

Other income comprises all income other than box office and retail, predominantly revenue from advertisements shown on screen prior to film screenings and revenue from booking fees associated with the purchase of tickets online. The Group also generates some distribution revenue in the UK and ROW, which is included within other income.

Admissions are 65.1% lower compared to the same period in 2019 due to the impact of the COVID-19 site closures. The admission levels began to be impacted by COVID-19 at the start of March 2020, prior to all the sites being closed across the Group from the second half of March. The admissions for the period 1 January to 31 March 2020 were 47.5m (1 January to 31 March 2019: 62.5m), decreasing by 24.0%. As each of the Group’s revenue streams are a function of admissions, the reduction in admissions against the prior period has driven the decrease in each of the Group’s revenue streams and total revenue in the six months to 30 June 2020.

US Revenue

The results below show the Group's performance in the United States ("US") under the Regal brand.

	6 months to 30 June 2020	6 months to 30 June 2019	v 2019 (statutory basis)
Admissions	28.4m	89.7m	(68.3%)
	$m	$m	
Box office	262.0	941.8	(72.2%)
Retail	150.2	487.8	(69.2%)
Other income	89.1	184.3	(51.7%)
Total revenue	**501.3**	**1,613.9**	**(68.9%)**

Summary

In the US, sites began to close due to the COVID-19 pandemic from 17 March 2020 and remained closed as of 30 June 2020. Sites started to re-open from 21 August 2020 and 338 sites are open as at the date of this announcement. Admissions and box office revenue decreased 68.3% and 72.2% respectively. The admissions for the period 1 January to 31 March 2020 were 28.4m (1 January to 31 March 2019: 39.2m). The top performing films in the period were "Bad Boys for Life", "1917" and "Sonic the Hedgehog" which grossed $504.1m versus "Avengers: Endgame", "Captain Marvel" and "Aladdin" which grossed $1,559.0m in the comparative period (Source: Comscore). Admissions year on year have also been marginally impacted by the net impact of two sites opening in H2 2019, and eight sites being closed across H2 of 2019 and the six-month period to 30 June 2020.

Retail revenue decreased by 69.2% from the prior period as a result of the lower admissions in the period. The growth in online bookings continues to have a positive impact on dwell time and spend per person.

Other income in the US consists of on-screen advertising revenue and other corporate and theatre income and revenue from online booking fees charged on the purchase of tickets for screenings. Advertising revenue is earnt through the Group's agreements with National CineMedia ("NCM") and direct contracts with concession vendors and distributors. NCM operates on behalf of a number of US exhibitors to sell advertising time prior to screenings. Advertising revenues, driven primarily by admissions levels and the value of advertising sold, and revenue from online booking fees, driven also by admission levels and the propensity of customers to book tickets online, explains the decrease versus the prior period. Other Income also includes less significant elements related to the sale of gift cards and bulk ticket programmes and the hire of theatres for events.

UK & Ireland Revenue

The results below for the UK & Ireland include the two cinema brands in the UK, Cineworld and Picturehouse.

	6 months to 30 June 2020	6 months to 30 June 2019	v 2019 (statutory basis)
Admissions	9.6m	23.5m	(59.1%)
	$m	$m	
Box office	79.3	200.4	(60.4%)
Retail	29.4	76.8	(61.7%)
Other Income	15.1	39.2	(61.5%)
Total revenue	**123.8**	**316.4**	**(60.9%)**

Summary

All sites in the UK were closed from 18 March 2020 and on 17 March 2020 in Ireland due to the COVID-19 pandemic and remained closed as of 30 June 2020. Sites began to re-open starting 31 July 2020 except for 6 sites which remain closed as at the date of this announcement. Admissions and box office revenue decreased 59.1% and 60.4% respectively. The admissions for the period 1 January to 31 March 2020 were 9.6m (1 January to 31 March 2019: 10.7m), decreasing by 10.3%. The top performing films in the period were "1917", "Star Wars: The Rise of Skywalker" and "Little Women" which grossed $122.3m compared to "Avengers:

Endgame", "Captain Marvel" and "Aladdin which grossed $209.0m in H1 2019 (Source: Comscore).

Retail revenue decreased by 61.7% from the prior period driven by the decrease in admissions. At 30 June 2020, the Group had 37 Starbucks sites and 5 sites with a VIP offering.

Other income has decreased by 61.5% due to the sites being closed in the period.

Rest of the World Revenue

The results below for the Rest of the World ("ROW") include Poland, Romania, Hungary, Czech Republic, Bulgaria, Slovakia and Israel.

	6 months to 30 June 2020	**6 months to 30 June 2019**	**v 2019 (statutory basis)**
Admissions	9.5m	22.8m	(58.3%)
	$m	$m	
Box office	50.0	126.6	(60.5%)
Retail	24.0	59.3	(59.5%)
Other Income	13.3	35.0	(62.0%)
Total revenue	**87.3**	**220.9**	**(60.5%)**

Summary

Sites began closing in mid-March across ROW and the first territories to re-open were Czech-Republic and Slovakia on June 26th, followed by Poland, Hungary and Bulgaria on July 3rd. and Romania on September 11th. As at the date of this announcement, all sites reopened throughout the ROW except Israel. Due to the closure of theatres, admissions and box office revenue decreased 58.3% and 60.5% respectively. The admissions for the period 1 January to 31 March 2020 were 9.5m down 24.6% (1 January to 31 March 2019: 12.6m). During the period local movies continued to be very popular, with the top three movies in Poland and Slovakia all locally produced. Šťastný nový rok" was in the top three in Slovakia and the Czech Republic. In the prior year in the Czech Republic, the second highest performing film was also a local release, "Ženy v běhu".

Retail revenue decreased by 59.5% from the prior period, driven by the decrease in admissions.

Other income includes distribution, advertising and other revenues. Forum Film is the Group's distribution business for the ROW and distributes films on behalf of the major Hollywood studios as well as owning the distribution rights to certain independent films. As the film schedule was impacted by COVID-19 this has affected the distribution business during the period and explains the decrease year on year.

Financial Performance

	US	UK&I	ROW	**Total Group**	Total Group
	6 month period ended 30 June 2020				6 month period ended 30 June 2019
Admissions	28.4m	9.6m	9.5m	**47.5m**	136.0m
	$m	$m	$m	**$m**	$m
Box office	262.0	79.3	50.0	**391.3**	1,268.8
Retail	150.2	29.4	24.0	**203.6**	623.9
Other Income	89.1	15.1	13.3	**117.5**	258.5
Total revenue	**501.3**	**123.8**	**87.3**	**712.4**	2,151.2
Adjusted EBITDA as defined in note 2				**53.0**	758.6
Operating (loss)/profit				**(1,340.9)**	389.2
Finance income				**18.1**	6.6
Finance expenses				**(308.4)**	(263.2)
Net finance costs				**(290.3)**	(256.6)
Share of (loss)/profit from joint ventures				**(13.5)**	7.1
(Loss)/Profit on ordinary activities before tax				**(1,644.7)**	139.7
Tax on (loss)/profit on ordinary activities				**62.2**	(22.3)
(Loss/)Profit for the period attributable to equity holders of the Company				**(1,582.5)**	117.4

Adjusted EBITDA

The Adjusted EBITDA has decreased to $53.0m (2019: $758.6m) due to all sites being closed across the Group between mid-March and June 2020.

Operating Loss

Due to the impact of COVID-19 the Group reported an operating loss for the first time. The operating loss of $1,340.9m (2019: profit $389.2m) reflects the closures of the majority of our cinemas starting mid-March and up until 30 June. Within operating profit there are a number of non-recurring and non-trade related items that have a net negative impact of $1,013.7m (2019: net negative impact $15.4m). These items are excluded from Adjusted EBITDA and have been set out in detail in Note 2.

During the period the Group incurred exceptional costs arising due to the COVID-19 pandemic of $12.5m. These include stock write offs, additional legal fees and cleaning and preparatory costs.

Where available, government support for companies to continue paying employees through the shutdown was accessed. In some cases, employees were paid directly, in other the Group reclaimed amounts once paid to employees, in such instances amounts received have shown reducing staff cost in the period. Where available the Group has also accessed business rates relief.

The total depreciation and amortisation charge (included in administrative expenses) in the period totaled $362.7m (2019: $360.2m), movements reflect changes in the Group's Property plant and equipment and right of use asset bases year on year.

The impact of the COVID-19 pandemic on the Groups forecasts cash flows, in addition to increased uncertainty in the market, a higher discount rate reflecting the increased cost of debt and changes to forecast cashflows have resulted in in the impairment of property plant and equipment and right of use assets at Cinema CGUs, as well as goodwill in Country level CGUs amounting to a total charge of $954.7m. These impairments are considered to be largely driven by the impact of the pandemic and are considered to be exceptional charges in the current period. Full details of impairment charges are disclosed in notes 8 and 9.

Net finance costs

At 30 June 2020 the Group had US term loans outstanding totaling $3.4bn, a Euro term loan of $215.9m and a $573.3m revolving credit facility, of which $462.0m had been drawn upon. During the period, the Group agreed the terms for an extension of $110.8m on the revolving credit facility with a maturity of December 2020 and a new $250.0m secured private loan with a maturity of 2023 with private institutional investors.

Net financing costs totaled $290.3m during the period (2019: $256.6m).

Finance income of $18.1m (2019: $6.6m) related to interest income of $5.0m (2019: $4.3m), $10.1m (2019: $0.0m) of gain on movement on fair value of financial derivatives, $1.0m (2019: $2.3m) of foreign exchange gains on monetary assets and non-USD$ denominated loans, $1.7m (2019: 3.4m) on the unwind of discounting on non-current receivables and $0.3m (2019: $0.0m) regarding the unwind of discount on sub-lease assets.

The Group had previously designated the Euro leg of three cross currency swaps held as a net investment hedge against the assets of certain Euro denominated subsidiaries. During the period the hedge relationship became ineffective and the hedge relationship ended. This resulted in $9.8m credit to the hedge reserve and charge to the income statement.

In 2019 the group entered a contingent forward contract and a contingent swap contracts in order to hedge certain cash flows expected to take place on completion of the proposed Cineplex combination. Due to the termination of the deal, the contingent elements of the derivatives were not met. The Group terminated the swap resulting in a gain of $4.5m and a loss of 10.4m on the deal contingent forward in line with the fair values reported at 31 December 2019. In addition, the forward contract was modified on termination, resulting in an additional loss of $10.2m and $16.8m which has been assessed to be in respect of debt issuance costs which have been capitalised and are being amortised over the remainder of the year.

The finance expense of $308.4m (2019: $263.2m) predominantly relates to the charge in respect of the unwind of discount on lease liabilities which totaled $164.2m (2019: $142.4m) and the interest on bank loans and overdrafts which totaled $72.9m (2019: $88.7m). The other finance costs of $65.7m (2019: $32.1m) included:

- $5.8m (2019: $6.5m) amortisation of finance costs;
- $24.8m (2019: $25.6m) unwind of discount of deferred revenue;
- $19.5m (2019: $nil) of loss on movement in fair value of financial derivatives;
- $9.8m (2019: $nil) unwind of net investment hedge
- $11.4m (2019: $0.0m) of foreign exchange losses from translation;

Taxation

The overall tax income for the period was $62.2m giving an overall effective tax rate of 3.8% (H1 2019: 19.9% and full year 2019: 15.1%). The reduction in the effective tax rate arises from de-recognition of some deferred tax assets in the US and UK.

Earnings

Loss on ordinary activities after tax in the period was $1,582.5m, a decrease of $1,699.9m compared with the comparative period (2019: $117.3m). The decrease year on year is the result of the global COVID-19 pandemic, causing sites across the Group to be closed for over three months and a number of related one off costs that are included as adjusted items.

Basic earnings per share amounted to a negative 115.3c (2019: 8.6c). Adjusted diluted earnings per share were negative 31.8c (2019: 9.4c).

Cash Flow and Balance Sheet

Overall, net assets have decreased by $1,683.0m, to $1,254.7m since 31 December 2019. Total assets decreased by $1,197.2m, this predominantly relates to a decrease in non-current assets due to impairments recognised against property plant and equipment, right of use assets and goodwill. The decrease in assets is also due to lower stock of inventories and trade receivables, which relates to the fact that as at 30 June 2020 only some RoW territories reopened.

With no trading income while the sites were closed, the Group utilised cash during the period at the operating level. Total net cash utilised in operations in the period was $6.4m. Net cash outflows from investing activities were $183.8m during the period, with $199.8m in capital expenditure and $17.4m in distributions received from equity accounted investees.

Net debt of $8,192.4 at the period end is higher than the balance at 31 December 2019 by $512.4m. The net cash inflow of $137.3m is partly driven by a drawdown of bank loans of $605.7m.

The impact of COVID-19 and the associated shutdown has resulted in the Group renegotiating over 200 leases by the balance sheet date and accessed government relief from payment of leases in certain countries. The Group has sought to agree the waiver and deferral of contractual rent under existing leases in order to manage cash flow during the shutdown and recovery from the impact of the virus. Amendments to leases, additions in the period, changes to discount rates applied in the calculation of lease balances, cash flows in the period have resulted in total right of use assets of $2,922.0m, with a deprecation charge of $203.8m and impairments of $385.3m, with lease liabilities of $4,250.5m and an interest cost of 164.2m. With the impact of the virus continuing and discussions ongoing with a number of landlords, there will be significant further modification to leases within the portfolio by the end of the year.

Risks and uncertainties

The Board retains ultimate responsibility for the Group's Risk Management Framework, and continues to undertake on-going monitoring to review the effectiveness of the Framework and ensure the principal risks of the Group are being appropriately mitigated in line with its risk appetite.

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain those detailed on pages 24-29 of the Group's Annual Report for 2019, a copy of which is available from the Group's website www.cineworldplc.com. A summary of the principal risks and any changes from those detailed in the 2019 Annual Report are summarised after the Independent Review Report.

Related party transactions

The Group's directors deferred their salary in full for the period of closure due to the pandemic, details of the deferral and other related party transactions are set out in Note 17 of the interim financial statements.

Going concern

The Group's financing arrangements consist of a USD and Euro term loans totalling $3.6bn at 30 June 2020 and a revolving credit facility of $573.3m. The revolving credit facility leverage covenant is triggered above 35% utilisation, and is subject to testing twice a year at 30 June and 31 December. In addition, the RCF extension of $110.8m requires a minimum liquidity of $50m. The lenders waived the covenant test at 30 June 2020. At 31 December 2020, the leverage covenant requires Net Debt to Adjusted EBITDA (on the trailing twelve months results) of below 9.0x on a pre-IFRS 16 basis. At 30 June 2021, the leverage covenant requires Net Debt to Adjusted EBITDA of below 5.5x and reduces to 5.0x from 31 December 2021 onwards.

In addition to the above financing arrangements, the Group secured a new $250.0m secured loan with a maturity of 2023 with private institutional investors. The secured loan is also subject to covenants, a leverage covenant is tested from December 2021, set at 5.0x Net Debt to EBITDA on the ROW Group.

A loan from the Israeli government for an amount of $6.9m with maturity of 2026 with no financial conditions was also obtained.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities for at least 12 months from the approval date of these interim consolidated financial statements, however the covenants are forecast to be breached at 30 December 2020, 30 June 2021 and 31 December 2021. The expectation of the Directors is that waivers will be obtained. Details of the Directors' assessment of Going Concern are set out in Note 1 to the Interim Financial Statements

Dividends

The interim dividend of 3.75 US cents per ordinary share in respect of the third quarter of 2019 was paid to shareholders on 10 January 2020. The total cash consideration was $51.4m.

The distribution of dividends on our ordinary shares is subject to validation by the Board of Directors and must be in line with applicable law. The board of directors validates the amount of future dividends to be paid, taking into account the cash balance then available, the anticipated cash requirements, the overall financial situation, restrictions on loan agreements, future prospects for profits and cash flows, as well as other relevant factors. On 7 April 2020 the Board announced the suspension of the 2019 fourth quarter dividend of 4.25c per share to conserve cash for the Group.

Moshe Greidinger
Chief Executive Officer

Cautionary note concerning forward looking statements

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

Condensed Consolidated Statement of Profit and Loss and Comprehensive Income

for the period ended 30 June 2020

	NOTE	6 month period ended 30 June 2020 (unaudited) $m	6 month period ended 30 June 2019 (unaudited) $m	Year ended 31 December 2019 $m
Revenue		712.4	2,151.2	4,369.7
Cost of sales		(624.9)	(1,356.6)	(2,749.1)
Gross profit		87.5	794.6	1,620.6
Other operating income		1.5	2.7	5.7
Administrative expenses		(475.2)	(407.8)	(854.7)
Impairment of goodwill, property, plant and equipment and right-of-use assets		(954.7)	(0.3)	(46.9)
Operating (loss)/profit		(1,340.9)	389.2	724.7
Adjusted EBITDA as defined in note 2		53.0	758.6	1,580.3
Finance income	5	18.1	6.6	26.3
Finance expenses	5	(308.4)	(263.2)	(568.0)
Net financing costs		**(290.3)**	(256.6)	(541.7)
Share of (loss)/profit of jointly controlled entity using equity accounting method, net of tax		(13.5)	7.1	29.3
(Loss)/Profit before tax		**(1,644.7)**	139.7	212.3
Tax credit/(charge) on (loss)/profit	4	62.2	(22.3)	(32.0)
(Loss)/Profit for the period attributable to equity holders of the Group		**(1,582.5)**	117.4	180.3
Items that will not subsequently be reclassified to profit or loss net of tax				
Net change in fair value of equity investments		-	0.5	(7.5)
Items that will subsequently be reclassified to profit or loss net of tax				
Retranslation (loss) / gain of foreign currency denominated operations		(59.2)	(2.8)	12.6
Movement in fair value of cash flow hedges		-	(0.2)	-
Unwind of net investment hedge		9.8	4.3	22.2
Income tax (credit) / charge recognised on other comprehensive income		-	(1.6)	(0.7)
Comprehensive (loss) / income for the period, net of income tax		**(49.4)**	0.2	26.6
Total comprehensive (loss)/income for the period attributable to equity holders of the Group		**(1,631.9)**	117.6	206.9
Basic earnings per share	6	(115.3)	8.6	13.1
Diluted earnings per share	6	(115.3)	8.6	13.1

The notes on pages 13 to 34 are an integral part of these interim condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at 30 June 2020

	Note	30 June 2020 (unaudited)		31 December 2019	
		$m	$m	$m	$m
Non-current assets					
Property, plant and equipment	**8**	1,812.9		2,039.5	
Right-of-use assets	**11**	2,922.0		3,441.2	
Goodwill	**9**	5,106.8		5,492.1	
Other intangible assets	**9**	500.4		515.6	
Investment in equity-accounted investee	**10**	271.2		300.2	
Financial assets at FVOCI		10.0		10.0	
Deferred tax asset		61.8		138.8	
Other receivables		59.6		64.6	
Total non-current assets			**10,744.7**		12,002.0
Current assets					
Assets classified as held for sale		0.9		0.9	
Inventories		17.9		33.2	
Trade and other receivables		58.6		263.4	
Fair value of financial derivatives		-		10.4	
Current Tax Receivable		145.8		-	
Cash and cash equivalents		285.4		140.6	
Total current assets			**508.6**		448.5
Total assets			**11,253.3**		12,450.5
Current liabilities					
Loans and borrowings	**12**	(27.9)		(133.9)	
Fair value of financial derivatives		-		(4.5)	
Lease liabilities	**11**	(417.0)		(321.6)	
Trade and other payables		(547.2)		(712.1)	
Deferred revenue		(279.3)		(263.1)	
Current taxes payable		(38.3)		(48.8)	
Provisions	**16**	(6.3)		(6.4)	
Dividends payable		-		-	
Total current liabilities			**(1,316.0)**		(1,490.4)
Non-current liabilities					
Loans and borrowings	**12**	(4,196.2)		(3,485.4)	
Fair value of financial derivatives		(3.2)		(9.7)	
Lease liabilities	**11**	(3,833.5)		(3,875.9)	
Other payables		(12.9)		(12.4)	
Deferred revenue		(622.0)		(635.0)	
Employee benefits		(3.6)		(3.5)	
Provisions	**16**	(0.5)		(0.5)	
Deferred tax liabilities		(10.7)		-	
Total non-current liabilities			**(8,682.6)**		(8,022.4)
Total liabilities			**(9,998.6)**		(9,512.8)
Net assets			**1,254.7**		2,937.7
Equity attributable to equity holders of the Group					
Share capital			**20.1**		20.1
Share premium			**516.0**		516.0
Foreign currency translation reserve			**(310.0)**		(250.8)
Hedging reserve			**31.4**		21.6
Fair value reserve			**(14.4)**		(14.4)
Retained earnings			**1,011.6**		2,645.2
Total equity			**1,254.7**		2,937.7

Condensed Consolidated Statement of Changes in Equity (*unaudited*)

for the period ended 30 June 2020

	Share capital	Share premium	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Total
	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2019	**20.1**	**516.0**	**(250.8)**	**21.6**	**(14.4)**	**2,645.2**	**2,937.7**
(Loss) for the period	-	-	-	-	-	(1,582.5)	(1,582.5)
Comprehensive income							
Items that will not subsequently be reclassified to profit or loss							
Net change in fair value of equity investments	-	-	-	-	-	-	-
Items that will subsequently be reclassified to profit or loss							
De-designation of investment hedge	-	-	-	9.8	-	-	9.8
Retranslation of foreign currency denominated operations	-	-	(59.2)	-	-	-	(59.2)
Movement in fair value of cash flow hedge	-	-		-	-	-	-
Income tax credit that will subsequently reclassified to profit or loss	-	-	-	-	-	-	-
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(51.4)	(51.4)
Issue of shares	-	-	-	-	-	-	-
Movements due to share-based compensation	-	-	-	-	-	0.3	0.3
Balance at 30 June 2020	**20.1**	**516.0**	**(310.0)**	**31.4**	**(14.4)**	**1,011.6**	**1,254.7**

Condensed Consolidated Statement of Changes in Equity

for the period ended 30 June 2019

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Hedging reserve $m	Fair value reserve $m	Retained earnings $m	Total $m
Balance at 31 December 2018	**20.1**	**513.8**	**(263.4)**	**(0.6)**	**(6.9)**	**3,157.3**	**3,420.3**
Change in accounting policy (Note 2) (1)	-	-	-	-	-	(173.3)	(173.3)
Restated total equity at 1 January 2019	**20.1**	**513.8**	**(263.4)**	**(0.6)**	**(6.9)**	**2,984.0**	**3,247.0**
Profit for the period	-	-		-	-	117.4	117.4
Other comprehensive income							
Items that will not subsequently be reclassified to profit or loss							
Net change in fair value of equity investments	-	-	-	-	0.5	-	0.5
Items that will subsequently be reclassified to profit or loss							
Movement in net investment hedge	-	-	-	4.3	-	-	4.3
Retranslation of foreign currency denominated operations	-		(2.8)	-	-	-	(2.8)
Movement in fair value of cash flow hedge	-	-		(0.2)	-	-	(0.2)
Income tax charge recognised within other comprehensive income	-	-	-	-	-	(1.6)	(1.6)
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(139.3)	(139.3)
Issue of shares	-	2.2	-	-	-	-	2.2
Movement due to share based compensation	-	-	-	-	-	(0.6)	(0.6)
Restated balance at 30 June 2019	**20.1**	**516.0**	**(266.2)**	**3.5**	**(6.4)**	**2,959.9**	**3,226.9**

(1) The restated amount in change in accounting Policy ($173.3m) aligned with the Consolidated Statement of changes in Equity in the Annual Report of year 31 December 2019, compared with ($73.1m) disclosed in the condensed consolidated statement of changes in equity for period ended 30 June 2019. The restated amount is largely caused by the deferred tax change on transition (for the full reserves effect on transition refer to the full annual report for 2019). As part of this IFRS 16 transition adjustment, an impairment charge of $5.1m had initially been recognised within retained earnings, but subsequently recorded in the Income Statement. The Statement of Change in Equity has been restated, the impact on the Income Statement is immaterial.

Condensed Consolidated Statement of Changes in Equity

for the period ended 31 December 2019

	Share capital	Share premium	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Total
	$m	$m	$m	$m	$m	$m	$m
Restated total equity at 1 January 2019	**20.1**	**513.8**	**(263.4)**	**(0.6)**	**(6.9)**	**2,984.0**	**3,247.0**
Profit for the year	-	-	-	-	-	180.3	180.3
Comprehensive income							
Items that will not subsequently be reclassified to profit or loss							
Net change in fair value of equity investments	-	-	-	-	(7.5)	-	(7.5)
Items that will subsequently be reclassified to profit or loss							
Movement in net investment hedge	-	-	-	22.2	-	-	22.2
Retranslation of foreign currency denominated operations	-	-	12.6	-	-	-	12.6
Tax that will subsequently be reclassified to profit or loss	-	-	-	-	-	(0.7)	(0.7)
Contributions by and distributions to owners							
Dividends	-	-	-	-	-	(520.2)	(520.2)
Issue of shares	-	2.2	-	-	-	-	2.2
Movements due to share-based compensation	-	-	-	-	-	1.8	1.8
Balance at 31 December 2019	**20.1**	**516.0**	**(250.8)**	**21.6**	**(14.4)**	**2,645.2**	**2,937.7**

Condensed Consolidated Statement of Cash Flows

for the period ended 30 June 2020

	6 month period ended 30 June 2020 (unaudited)	REPRESENTED[1] 6 month period ended 30 June 2019 (unaudited)	Year ended 31 December 2019
	$m	$m	$m
Cash flows from operating activities			
(Loss) / profit for the period	**(1,582.5)**	117.4	180.3
Adjustments for:			
Financial income	**(18.1)**	(6.6)	(26.3)
Financial expenses	**308.4**	263.2	568.0
Taxation	**(62.2)**	22.3	32.0
Share of profit of equity accounted investee	**13.5**	(7.1)	(29.3)
Operating (loss) / profit	**(1,340.9)**	389.2	724.7
Depreciation and amortisation	**362.8**	360.1	729.8
Share based payments charge	**0.6**	1.8	4.9
Impairment of goodwill, property, plant and equipment and right-of-use assets	**954.7**	0.3	46.9
Net loss/(gain) on sale of assets	**11.3**	(20.7)	(12.2)
Movement in trade and other receivables	**205.6**	24.7	37.9
Movement in inventories	**13.5**	1.2	2.3
Movement in trade, other payables and deferred income	**(208.9)**	(99.3)	(97.5)
Movement in provisions and employee benefit obligations	**-**	(28.0)	(35.0)
Cash (used) / generated from operations	**(1.3)**	629.3	1,401.8
Tax paid	**(5.2)**	(39.9)	(108.1)
Net cash flows from operating activities	**(6.5)**	589.4	1,293.7
Cash flows from investing activities			
Interest received	**0.1**	4.2	3.6
Income from net investment in sub-lease	**-**	-	1.2
Investment in joint ventures	**(0.3)**	-	-
Acquisition of property, plant and equipment	**(199.8)**	(181.4)	(455.6)
Proceeds from sale of property, plant and equipment	**0.1**	19.4	22.0
Proceeds from sale and leaseback transaction	**-**	542.4	542.4
Investment in financial asset at FVOCI	**-**	(10.0)	(10.0)
Acquisition of distribution rights and other intangibles	**(1.3)**	(2.1)	(5.2)
Distributions received from equity accounted investees	**17.4**	24.7	42.6
Net cash flows from investing activities	**(183.8)**	397.2	141.0
Cash flows from financing activities			
Dividends paid to shareholders	**(51.4)**	-	(520.2)
Interest paid	**(40.5)**	(94.7)	(165.5)
Repayment of bank loans	**(20.9)**	(593.3)	(1,458.5)
Repayment of loans from equity accounted investees	**-**	-	(3.0)
Draw down of bank loans	**605.7**	-	1,130.3
Landlord contributions	**1.0**		28.4
Payment of lease liabilities(1)	**(166.3)**	(310.9)	(613.3)
Net cash flows from financing activities	**327.6**	(998.9)	(1,601.8)
Net increase/(decrease) in cash and cash equivalents	**137.3**	(12.3)	(167.1)
Exchange gains/(losses) on cash and cash equivalents	**7.5**	4.1	(8.6)
Cash and cash equivalents at start of period	**140.6**	316.3	316.3
Cash and cash equivalents at the end of period	**285.4**	308.1	140.6

Payment of lease liabilities includes $164.2m of interest payment and $2.1m of principal lease payments.

[1]Within the 30 June 2019 cash-flow an $8.0m movement on turnover rent payable was disclosed as non-property charges. Within the 31 December 2019 and 30 June 2020 cash flows movement on this balances were disclosed within movement in trade, other payables and deferred income. We have therefore represented the 30 June 2019 cash-flow to include this movement within trade, other payables and deferred income.

Within the 30 June 2019 statement of cash flows both the proceeds from sale of property, plant and equipment ($19.4m) and proceeds from sale and leaseback transaction ($542.4m) and acquisition were shown net. The acquisition of property, plant and equipment ($181.4m) and acquisition of distribution rights and other intangibles ($2.1m) were also shown net. We had grossed these cash receipts / payments within the 31 December 2019 statement of cash flows and restated the 30 June 2020 comparative to show this comparable gross up.

The $10.0m investment in financial asset at FVOCI had been disclosed as investment in joint ventures at 30 June 2019, however has been restated to reflect the nature of the transaction.

Notes to the Interim Condensed Consolidated Financial Statements

1. Basis of preparation

Reporting entity

Cineworld Group plc (the "Company") is a Company both incorporated and domiciled in the United Kingdom. The interim condensed consolidated financial statements of the Company as at and for the period ended 30 June 2020 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in jointly controlled entities. These interim condensed consolidated financial statements have been presented in US dollars.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 are available upon request from the Company's registered office at 8th Floor, Vantage London, Great West Road, Brentford, TW8 9AG.

Going Concern

In the process of assessing the appropriateness of applying the going concern basis in preparation of the interim financial statements the directors have considered the Group's liquidity and forecast cash flows under a range of potential scenarios taking into account reasonably possible outcomes over a 15-month period from the approval of these interim financial statements. Given the global political and economic uncertainty driven by the outbreak of COVID-19 and its specific impact on the exhibition industry given the nature of the business, the directors consider some volatility in performance and a certain amount of disruption to business likely over the coming 12 months.

The scenarios modelled consider the potential impact of continuing and potential further COVID-19 restrictions affecting the cinema exhibition industry, consumer behaviour driven by COVID-19, impact on contractual cash flows specific to the Group and its liquidity positon as well as future access to liquidity. These scenarios cover a range of potential outcomes primarily based on the severity and length of time that the COVID-19 outbreak affects the industry for, as well as the potential for further impact in the future. Each of the scenarios are sensitive to forecast admission levels and rent payments over the coming 12-month period. In assessing the going concern the directors have assumed the industry will return to levels of performance similar to those observed prior to the COVID-19 impact by 2023, with a return to cinema going following the shutdown over the coming months and a further gradual build up over a period of time.

The Group has implemented safety measures across all territories to ensure the safety of customers and employees. These include staggered film start times, social distancing measures in auditoriums and foyers, additional cleaning procedures, temperature checks and the wearing of face coverings in certain territories. Restrictions in place and additional measures taken in order to ensure appropriate social distancing is maintained in all cinemas constrain the potential capacity for attendance, however, the level of unused capacity available in theatres, operational changes made regarding film times and the choice of films shown ensure that forecast revenues are still achievable despite such restrictions.

Since the year end, in order to provide additional liquidity, the Group agreed the terms for an extension of $110.8m on the revolving credit facility (RCF) and a new $250.0m secured loan. The RCF extension expires on 31 December 2020 and was not drawn at the balance sheet date. The Group's current available facilities and indebtedness are set out in note 12.

Base Case Scenario

The Group's base case scenario assumes a gradual recovery from the shutdown, with cinema across all territories open by the end of October 2020, returning to admissions levels of up to 62% of comparable periods by the end of the year. Admissions are then forecast to remain on average 16% below 2019 levels throughout 2021 and 5% below through 2022. In addition to cinema performance, the Group's cash flows and liquidity are sensitive to the timing and level of rent payments. The Group has been successful in agreeing the waiver and deferral of significant rent payable under lease agreements through the shutdown period, and beyond with the support of landlords. Rent payments have been modelled in line with actual modifications and the expectations of achievable deferrals over the coming 12-month period based on on-going discussions with the landlords. The Group has also taken into consideration mitigating actions available to it, these include stopping all non-essential capital expenditure for the coming 9 months, and no payment of dividends, which has been modelled under the base case scenario. In addition, the Group has taken steps to reduce operational and administrative costs, in order to further preserve liquidity. Further steps would be taken to operate at a minimal costs basis should the directors consider it necessary.

Under the base case scenario, the Group maintains headroom against available cash and debt facilities throughout the period to December 2021, including in early 2021 when the current extension to the RCF ends. Financial covenants on the RCF, triggered above a 35% utilisation, of 9.0x net leverage at December 2020, 5.5x net leverage at June 2021 and 5.0x net leverage at December 2021 testing points would be breached.

If the remaining cinemas that are currently closed in the US were not to be open before the end of October 2020, or there are further delays in the forecast significant movie releases to 2021, then additional facilities would be required in order to maintain liquidity headroom in the going concern period.

Two significant cash movements arise in this period being a large one off tax cash receipt under the US CARES act where losses forecast for 2020 can be offset against tax paid in earlier periods creating a cash tax refund, and the claimed amount of £202 million in respect of the Regal dissenting shareholder claim. It is the Directors' view, based on robust external professional advice, that the payment of the dissenting shareholder claim will not occur before the receipt of the US tax credit in making the above headroom assessment.

Severe but plausible downside scenario
Given the current uncertainty around the potential impact of disruption caused by COVID-19 in the forthcoming period and the challenges around forecasting the impact on the cinema industry, the Directors have considered a severe but plausible downside scenario to stress test the Group's financial forecasts.

The severe but plausible scenario models a potential second wave of COVID-19 in 2021 affecting several of the Group's territories to the extent that further prolonged, partial shut downs are required, affecting the Group's performance. The scenario forecasts a closure of major US states (representing 45% of US admissions in an unaffected year), 50% of UK cinemas and a territory in the ROW segment being required to close in full for a period of five months from January 2021. This represents a shutdown consistent in length with the period previously suffered in 2020, although the impact is less severe, following the more recent approach to regional/state rather than national lockdowns. Other sensitive cash flow drivers are consistent with the base case, including incurring a significant rent charge through a period in which large numbers of cinemas would not be operating.

The modelling for this scenario indicates that the Group would need additional facilities in order to continue to operate from early 2021, following the end of the current RCF extension. Financial covenants would be breached at December 2020 and June 2021.

Considering the liquidity implications of the scenario analysis and the uncertainty around the severity and length of the impact on performance, as well as the potential for a second wave of COVID-19, the Board are assessing several options with regard to additional sources of liquidity including the extension of the RCF facility which matures at 31 December 2020 and an additional Term Loan and potential equity or semi equity raise. This includes, but is not limited to, discussions with lenders to extend existing facilities beyond their current maturity, with all potential liquidity raising options being considered. A waiver in respect of applicable financial covenants for December 2020 and June 2021 testing points are being negotiated with the Group's lenders and, based on the current status of negotiations, the directors are confident that these waivers will be obtained.

Conclusion
A going concern assessment needs to be made for a period of at least 12 months from the date of this announcement. The Directors recognise the challenges facing the business and the uncertainty around the recovery of the cinema industry following the impact of COVID-19, and the potential risk that remain, which represent uncertainties with respect to the Group's ability to continue as a going concern. Whilst sufficient liquidity is considered to exist in the base case, at this point in time the Directors have not been able to obtain waivers for the forecast covenant breaches at December 2020 and June 2021. The expectation of the Directors is that waivers will be obtained based on the current status of the negotiations with the Group's lenders and therefore the Interim Financial Statements have been prepared on a going concern basis.

Statement of compliance
These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*" as adopted by the EU. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the interim condensed set of financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2018 with the exception of the adoption of new and amended standards as set out below and the following policies which are specific for the interim report:

Taxation
Taxes on income in the interim condensed consolidated financial statements are accrued using the tax rate that would be applicable to the expected full financial year results for the Group, with any significant one off charges or credits which are specific to the interim period included as such.

The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

The comparative figures for the financial year ended 31 December 2019 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, although included an emphasis of matter in respect of material uncertainty around going concern and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

New and amended standards adopted by the Group
There were no new standards adopted by the Group in the period but the following amendments became applicable during the current reporting period:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

These amendments did not have a material impact on the Group's accounting policies and have therefore not resulted in any changes.

2. Alternative Performance Measures

The Group uses a number of Alternative Performance Measures ("APMs") in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, one off items and the timing of acquisitions.

The APMs are used internally in the management of the Group's business performance, budgeting and forecasting, and for determining Executive Directors' remuneration and that of other management throughout the business. The APMs are also presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance.

Where items of profits or costs are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual profits or costs of the Group.

Other commentary within the interim report should be referred to in order to fully appreciate all the factors that affect our business.

The Group's Adjusted Performance Measures are set out below, additional adjustments have been made in the current period to reflect one-off charges incurred due to the impact of the COVID-19 pandemic:

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit adjusted for profits of jointly controlled entities using the equity accounting method net of tax and excess cash distributions, depreciation and amortisation, impairments of property, plant and equipment and right-of-use assets, property related charges and releases, business interruption costs, share based payment charges and exceptional items. Exceptional items are charges and credits which are a non-recurring item that is outside the Group's normal course of business and material by size or nature.

Adjustments have been made for specific costs associated with the impact of COVID-19 including stock write-offs, additional cleaning costs, legal costs associated with employee furlough schemes and redundancy.

The following items are adjusted for within the Group's Adjusted EBITDA APM as they are non-cash items: depreciation and amortisation, impairment of property, plant and equipment and right-of-use assets, property related charges and releases and share based payment charges.

The net impact of share of profit of jointly controlled entities and the associated excess cash distributions from joint controlled entities are included within Adjusted EBITDA as these items are cash items outside of operating profit.

For historical comparison purposes the Group also presents Adjusted EBITDA on an IAS 17 basis. Adjustments to EBITDA on an IAS 17 basis are consistent with those applied above, however adjustments for rent cashflows are also included.

Adjusted Profit
Adjusted profit before tax is defined as profit before tax adjusted for amortisation of intangible asset created on acquisition, excess cash distributions from jointly controlled entities, impairments of property, plant and equipment and right-of-use assets, property related charges and releases, business interruption costs, share based payment charges, exceptional operating items, exceptional financing items and exceptional tax items.

Adjusted profit after tax is arrived at by applying an effective tax rate to the taxable adjustments and deducting the total from adjusted profit.

The Adjusted EBITDA and Adjusted Profit reconciliation to statutory Operating Profit are presented as follows:

	Period ended 30 June 2020 (unaudited)	Period ended 30 June 2019 (unaudited)	Year ended 31 December 2019
	$m	$m	$m
Operating (loss) / profit	**(1,340.9)**	389.2	724.7
Depreciation and amortisation	362.7	360.1	729.8
Share of (loss) / profit of jointly controlled entity using equity accounting method net of tax	(13.5)	7.1	29.3
Excess cash distributions from jointly controlled entities	31.0	17.6	20.3
Impairment of property, plant and equipment and right-of-use assets	-	-	46.9
Business interruption	-	-	6.3
Property related charges and releases	11.3	(2.9)	5.3
Share based payment charges	0.6	1.8	4.9
Operating Exceptional items:			
- Impairment of goodwill, property, plant and equipment and right-of-use assets	954.7	-	-
- Transaction and reorganisation costs	25.4	3.2	10.7
- One time write off of other current assets	-	-	13.2
- Gain on sale and leaseback transaction	-	(17.5)	(17.5)
- COVID-19 costs	12.5	-	-
- Legal costs	9.2	-	6.4
Adjusted EBITDA	**53.0**	758.6	1,580.3
Depreciation and amortisation	(362.7)	(360.1)	(729.8)
Amortisation of intangibles created on acquisition	12.9	14.2	27.8
Net finance costs	(290.3)	(256.6)	(541.7)
Movement on financial derivatives	9.4	-	(2.2)
De-designation of net investment hedge	9.8	-	-
Foreign exchange translation gains and losses	0.2	-	5.9
Financing exceptional items:			
- Accelerated amortisation of capitalised finance fees	-	-	15.1
Adjusted (Loss) / profit before Tax	**(567.7)**	156.1	355.4
Tax credit / (charge)	62.2	(22.3)	(32.0)
Tax impact of adjustments	(8.3)	(5.2)	(30.4)
Tax exceptional items	77.8	-	-
Adjusted (Loss) / Profit after Tax	**(436.0)**	128.6	293.0

Excess cash distributions from jointly controlled entities
The Group receives cash distributions over and above the level of profit recognised in equity accounting for its joint ventures, this is a recurring cash amount.

Impairment of goodwill, property, plant and equipment and right-of-use assets
Impairment charges relate to property, plant and equipment and right-of-use assets and is a non-cash charge. The size and nature of the impairment charges recognised in the current period are such that they are considered exceptional in the context of similar charges commonly incurred by the Group, as set out in the summary of exceptional items below. Refer to note 8, 9 and 11 for further information.

Business interruption
These costs relate to sites which were closed or partially closed during the year for refurbishment or were under construction.

Property related charges and releases
The prior year loss of $5.3m related to the closure of 16 theatres in the US and one in ROW. No permanent theatre closures have occurred in the current period. During the period the Group disposed of assets for a total loss of $11.3m (2019: gain of $3.2m), no proceeds were received in respect of the disposals.

Operating exceptional items

The following operating exceptional items were recognised during the period:

- One off costs of $12.5m associated with the impact of COVID-19 including stock write-offs ($10.0m), legal costs, additional cleaning expenses and redundancy.
- Legal costs of $9.2m (2019: $6.4m) were incurred in relation to the Regal dissenting shareholder legal case and as part of the proposed acquisition of Cineplex.
- Transaction and reorganisation costs of $0.6m were incurred in 2020 of which $2.1m relates to reorganisation costs and receipt of a VAT refund of ($1.5m). Transaction costs of $10.7m were recognised in 2019 of which $4.3m relates to the proposed Cineplex acquisition and $6.4m reorgansation costs. Non-cash costs in connection with the dissenting shareholder liability which arose on the acquisition of Regal of $24.8m were incurred.
- The impact of the COVID-19 pandemic on the Group's forecasts cashflows. In addition to increased uncertainty in the market, a higher discount rate driven by the higher cost of debt, changes to forecast cashflows have resulted in in the impairment of property plant and equipment and right of use assets at Cinema CGUs, as well as goodwill in Country level CGUs amounting to total charge of $954.7m. These impairments are considered to be driven by the impact of the pandemic and are therefore considered to be exceptional charges.
- In the year ended 31 December 2019 a one off charge of $13.2m in respect of plastic cards acquired for resale as gift cards, that were no longer considered recoverable and should have been adjusted at the time of the purchase price allocation but was not material to restate the prior period.
- In the year ended 31 December 2019 a gain of $17.5m in relation to the two sale and leaseback transaction was recognised.

Accelerated amortisation of capitalised finance fees
These costs represent the accelerated amortisation of capitalised finance fees following the partial settlement of the Group's term loans during the year and the minor refinancing undertaken.

Movement on financial derivatives
In 2019 the group entered a contingent forward contract and a contingent swap contracts in order to hedge certain cash flows expected to take place on completion of the proposed Cineplex combination. Due to the termination of the deal, the contingent elements of the derivatives were not met. The Group terminated the swap resulting in a gain of $4.5m and a loss of $10.4m on the deal contingent forward in line with the fair values reported at 31 December 2019. In addition, the forward contract was modified on termination, resulting in an additional loss of $10.2m and $16.8m which has been assessed to be in respect of debt issuance costs which have been capitalised and are being amortised over the remainder of the year.

In 2019 a loss of $3.7m was incurred on a short term forward contract entered into as part of the minor financing restructure.

Unwind of net investment hedge
The Group had previously designated the Euro leg of three cross currency swaps held as a net investment hedge against the assets of certain Euro denominated subsidiaries. During the period the hedge relationship became ineffective and the hedge relationship ended. This resulted in $9.8m credit to the hedge reserve and charge to the income statement.

Foreign exchange translation gains and losses
Gains and losses arise due to movements on foreign exchange in respect of the Group's unhedged Euro denominated term loan. These gains and losses are excluded from Adjusted Profit Before Tax.

Tax exceptional items
During the year the Group recognised a one off tax credit under the CARES Act in the US of $40.5m due to the carry back of losses against profits of earlier years with higher tax rates. In addition, the Group has derecognised $118.3m in deferred tax assets due to reduction in the Group's forecast cashflows.

Net debt
Net Debt is defined as total liabilities from financing net of cash at bank and in hand. A reconciliation of movements in Net Debt is provided in Note 13.

3. Operating segments

The Group has determined that it has two reporting operating segments, the US and UK&I. The Group also reports a third segment, the ROW which includes the cinema chain brands Cinema City in Central and Eastern Europe territories and Yes Planet and Rav-Chen in Israel. The operating segments included in the ROW reporting segment include Poland, Romania, Hungary, Czech Republic, Bulgaria, Slovakia and Israel. The results for the US include the three cinema chain brands; Regal, United Artists and Edwards Theatres. UK&I includes two cinema chain brands, Cineworld and Picturehouse, which operate in the same territory with the same external regulatory environment and ultimately provide the same services and products. On this basis it is deemed appropriate that these two segments can be aggregated and reported as one reporting segment for the UK&I.

	US	UK&I	ROW	Group
	$m	$m	$m	$m
Period ended 30 June 2020				
Total revenues	501.3	123.8	87.3	**712.4**
Adjusted EBITDA as defined in note 2	35.3	1.0	16.7	**53.0**
Operating profit	(773.2)	(511.1)	(56.6)	(1,340.9)
Net finance expense	215.5	54.4	20.4	290.3
Depreciation and amortisation	276.9	47.5	38.3	362.7
Impairments of property, plant and equipment and right-of-use assets and goodwill	464.4	453.7	36.6	954.7
Share of profit / (loss) of jointly controlled entities using equity method, net of tax	(13.5)	-	-	(13.5)
(Loss) before taxation	(1,002.2)	(563.8)	(78.7)	**(1,644.7)**
Segmental total assets	8,946.5	1,134.9	1,171.9	**11,253.3**
Segmental total liabilities	8,016.5	1,387.0	595.1	**9,998.6**
Period ended 30 June 2019				
Total revenues	1,613.9	316.4	220.9	**2,151.2**
Adjusted EBITDA as defined in note 2	591.9	89.4	77.3	**758.6**
Operating profit	311.0	39.7	38.5	**389.2**
Net finance expense	(217.2)	(31.2)	(8.2)	**(256.6)**
Depreciation and amortisation	274.8	46.0	39.3	**360.1**
Share of profit / (loss) of jointly controlled entities using equity method, net of tax	7.6	(0.1)	(0.4)	**7.1**
Impairments of property, plant and equipment and right-of-use assets	-	-	-	**-**
Profit before taxation	101.4	8.4	29.9	**139.7**
Segmental total assets	**10,053.7**	**1,211.4**	**1,177.9**	**12,443.0**
Segment total liabilities	**7,954.2**	**813.3**	**348.4**	**9,115.9**
Year ended 31 December 2019				
Total revenues	3,209.6	648.4	511.7	4,369.7
Adjusted EBITDA as defined in note 2	1,197.1	192.2	191.0	1,580.3
Operating profit	535.5	65.0	124.2	724.7
Net finance expense	442.7	85.0	14.0	541.7
Depreciation and amortisation	558.2	92.5	79.1	729.8
Impairments of property, plant and equipment and right-of-use assets	40.5	5.3	1.1	46.9
Share of profit from jointly controlled entities using equity accounting method net of tax	29.6	–	(0.3)	29.3
Profit/ (loss) before tax	**122.6**	**(5.0)**	**94.7**	**212.3**
Segmental total assets	**9,801.0**	**1,381.0**	**1,268.5**	**12,450.5**
Segment total liabilities	**7,999.4**	**1,134.1**	**379.3**	**9,512.8**

4. Taxation

Tax recognised in the income statement during the period is as follows:

	Period ended 30 June 2020 (unaudited) $m	Period ended 30 June 2019 (unaudited) $m	Year ended 31 December 2019 $m
Current year tax expense			
Current period	(156.7)	99.7	102.1
Adjustments in respect of prior periods	6.8	-	2.5
Total current year tax expense	(149.9)	99.7	104.6
Deferred tax (credit)/charge			
Current period	93.2	(77.4)	(66.7)
Adjustments in respect of prior periods	(5.0)	-	(6.8)
Adjustments from change in tax rates	(0.5)	-	1.0
Total deferred tax (credit)/expense	**87.7**	(77.4)	(72.5)
Total tax (credit) / charge in the income statement	**(62.2)**	**22.3**	32.1
Effective tax rate	(3.8%)	15.9%	15.1%
Current year effective tax rate	(3.9%)	15.9%	17.1%

Current tax credit

In response to the COVID-19 pandemic the US government has passed the CARES Act to provide financial assistance to companies. The Act allows 2020 tax losses to be carried back against tax profits of the preceding 5 years, resulting in tax repayments.

A current tax credit of $156.7m primarily relates to an anticipated carry back of 2020 US tax losses against US tax profits of the preceding 5 years.

Deferred tax recognition

The Group recognises deferred tax assets to the extent it is probable that future taxable profits will be available against which they can be utilised.

A deferred tax charge of $93.2m primarily relates to a de-recognition of previously recognised US and UK deferred tax assets where there is insufficient certainty over the availability of taxable profits in the foreseeable future due to the impact of COVID-19.

Recognition of these deferred tax assets will be re-assessed at each balance sheet date on the basis of updated projections of future taxable profits.

Factors that may affect future tax charges

Tax uncertainties and risks are increasing for all multinational groups which could affect the future tax rate. The Group takes a responsible attitude to tax, recognising that it affects all our stakeholders. The Group seeks at all times to comply with the law in each of the jurisdictions in which we operate, and to build open and transparent relationships with those jurisdictions' tax authorities. The Group's tax strategy is aligned with the commercial activities of the business, and within our overall governance structure the governance of tax and tax risk is given a high priority by the Board.

On 25 April 2019 the European Commission released its decision which concluded that for years to 31 December 2018 the UK Controlled Foreign Company legislation represent recoverable State Aid in some circumstances. There remains uncertainty surrounding the quantum of any additional tax exposure which is subject to ongoing discussion with HM Revenue & Customs. Following a review of the potential application of the decision to Controlled Foreign Company claims to 31 December 2018 the Group has a provision of $1.1m against potential exposures. The maximum potential exposure is $10.8m.

5. Finance income and expense

	Period ended 30 June 2020 (unaudited) $m	Period ended 30 June 2019 (unaudited) $m	Year ended 31 December 2019 $m
Interest income	5.0	4.3	4.5
Foreign exchange gain	1.0	2.3	7.3
Unwind of discount on sub-lease assets	0.3	-	0.7
Gain on movement on fair value of financial derivatives	10.1	-	10.4
Unwind of discount on non-current receivables	1.7	-	3.4
Financial income	**18.1**	6.6	26.3
Interest expense on bank loans and overdrafts	72.9	88.7	167.3
Amortisation of financing costs	5.8	6.5	27.2
Lease liability interest	164.2	142.4	304.2
Unwind of discount of deferred revenue	24.8	25.6	51.3
Foreign exchange loss	11.4	-	9.9
De-designation of net investment hedge	9.8	-	-
Loss on movement in fair value of financial derivatives	19.5	-	8.1
Financial expense	**308.4**	263.2	568.0
Net financial expense	**290.3**	256.6	541.7

6. Earnings per share

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, after excluding the weighted average number of non-vested ordinary shares. Diluted Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares plus any non-vested/non-exercised ordinary shares. Where dilutive options are not considered likely to vest no dilution is applied. Adjusted Earnings Per Share is calculated dividing the adjusted profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, after excluding the weighted average number of non-vested ordinary shares.

	Period ended 30 June 2020 (unaudited)	**Period ended 30 June 2019 (unaudited)**	**Year ended 31 December 2019**
	$m	**$m**	**$m**
(Loss) / Earnings attributable to ordinary shareholders	**(1,582.5)**	117.4	180.3
Adjustments:			
Amortisation of intangible assets(1)	12.9	14.2	27.8
Excess cash distributions from jointly controlled entities	31.0	17.6	20.3
Impairment of property, plant and equipment and right-of-use assets	954.7	-	46.9
Business interruption	-	-	6.3
Property related charges and releases	11.3	(2.9)	5.3
Share based payment charges	0.6	1.8	4.9
Operating Exceptional items:			
- Transaction and reorganisation costs	25.4	3.2	10.7
- One time write off of other current assets	-	-	13.2
- Gain on sale and leaseback transaction	-	(17.5)	(17.5)
- Legal costs	9.2	-	6.4
- COVID-19 costs	12.5	-	-
Movement on financial derivatives	9.4	-	(2.2)
De-designation of net investment hedge	9.8	-	-
Foreign exchange translation gains and losses(2)	0.2	-	5.9
Financing exceptional items:			
- Accelerated amortisation of capitalised finance fees	-	-	15.1
Adjusted earnings	**(505.5)**	**133.8**	**323.4**
Tax effect of above items	**(8.3)**	**(5.2)**	**(30.4)**
Tax exceptional	**77.8**	**-**	**-**
Adjusted profit after tax	**(436.0)**	**128.6**	**293.0**

	Number of shares m	**Number of shares m**	**Number of shares m**
Weighted average number of shares in issue	**1,372.0**	1,371.3	1,371.6
Basic Earnings per Share denominator	1,372.0	1,371.3	1,371.6
Dilutive options	2.5	2.6	3.6
Diluted Earnings per Share denominator	**1,374.5**	1,373.9	1,375.2
Shares in issue at period end	1,372.0	1,371.8	1,372.0
	Cents	Cents	Cents
Basic (Deficit) / Earnings per Share	**(115.3)**	8.6	13.1
Diluted (Deficit) / Earnings per Share	**(115.3)**	8.6	13.1
Adjusted basic (Deficit) / Earnings per Share	**(31.8)**	9.4	21.4
Adjusted diluted (Deficit) / Earnings per Share	**(31.8)**	9.4	21.3

(1) Amortisation of intangible assets includes amortisation of the fair value placed on brands, customer lists, distribution relationships, and advertising relationships as a result of the Cinema City and Regal business combination (which totalled $12.9m (2019: $14.2m)). It does not include amortisation of purchased distribution rights.

(2) Net foreign exchange gains and losses included within earnings comprises $0.2m foreign exchange loss recognised on translation of the Euro term loan at 30 June 2020 (2019: $5.9m).

7. Dividends

The interim dividend of 3.75 US cents per ordinary share in respect of the third quarter of 2019 was paid to shareholders on 10 January 2020. The total cash consideration was $51.4m.

On 7 April 2020 the Board announced the suspension of the 2019 fourth quarter dividend of 4.25c per share to conserve cash for the Group.

8. 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 2020	**643.7**	**1,365.8**	**718.5**	**120.4**	**2,848.4**
Additions	35.9	49.7	16.9	94.3	196.8
Disposals	(40.4)	(5.0)	(14.6)	(0.7)	(60.7)
Transfers	1.0	0.5	0.7	(2.2)	-
Effects of movement in foreign exchange	(30.0)	(8.5)	(18.0)	(1.2)	(57.7)
Balance at 30 June 2020	**610.2**	**1,402.5**	**703.5**	**210.6**	**2,926.8**
Accumulated depreciation and impairment					
Balance at 1 January 2020	**(119.1)**	**(430.8)**	**(259.0)**	**-**	**(808.9)**
Charge for the year	(72.3)	(34.9)	(36.8)	-	(144.0)
Disposals	32.6	4.5	11.7	-	48.8
Impairments	(116.2)	(52.0)	(44.4)	(14.7)	(227.3)
Effects of movement in foreign exchange	6.5	3.0	8.0	-	17.5
30 June 2020	**(268.5)**	**(510.2)**	**(320.5)**	**(14.7)**	**(1,113.9)**
Net book value					
Opening	524.6	935.0	459.5	120.4	2,039.5
Closing	**341.7**	**892.3**	**383.0**	**195.9**	**1,812.9**

Commitments

At 30 June 2020 the Group had committed $20.0m in relation to capital expenditure (31 December 2019 $294.5m)

Impairment

The Group determines whether these assets are impaired when indicators of impairment exist or based on the annual assessment. Given the impact of the COVID-19 pandemic on the Group during the period, it was considered a triggering event for a review to be performed at 30 June 2020. Management have therefore assessed if the carrying value of each CGU is impaired at 30 June 2020, for the purpose of impairment, the Group includes both property, plant and equipment and right-of-use-assets in each CGU.

The recoverable amount of a CGU is the higher of value-in-use or fair value less cost of disposal. The Group determines the recoverable amount with reference to its value-in-use. Where the recoverable amount is less than the carrying value, an impairment charge to reduce the assets down to recoverable amount is recognised.

The Group has identified that the lowest level of cash-flows in which a CGU independently generates is predominantly at the individual cinema level. Where individual sites' cash inflows are determined not to operate independently from one another, mainly due to strategic or managerial decisions being made across more than one site, they may be clustered into a single CGU.

Where the recoverable amount of a CGU, being the higher of its fair value less cost to sell and its value-in-use, is less than the carrying value, an impairment charge to reduce the assets down to recoverable amount is recognised.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows generated from each CGU and discount these to their net present value at a pre-tax discount rate which is appropriate for the territory where the assets are held.

A table summarising the rates used, which are derived from externally benchmarked data, is set out below:

	30 June 2020	31 December 2019
	%	%
United States	11.3	9.0
United Kingdom	11.1	8.1
Poland	11.1	9.8
Israel (1)	11.1	9.4
Hungary	12.0	9.3
Romania	12.0	10.1
Czech Republic	11.5	8.9
Bulgaria	11.1	9.3
Slovakia	11.2	9.3

1) The Group has one site which generates significant rental cash flows in addition to cinema cash flows a separate discount rate of 9.68% (2019: 8.0%) was applied to rental cash flows to reflect the specific risks related to them.

The value in use is calculated using expected future cash flows (defined as the Adjusted EBITDA generated by each CGU), which are based on management's anticipated performance of the CGU over the term remaining on its respective lease.

Management have prepared individual cash-flow forecasts for each CGU. These cash-flow forecasts apply specific growth assumptions to the key drivers within the cash-flow such as attendance, average ticket price ("ATP"), spend per patron ("SPP") and long term growth rates of other revenue and cost streams.

COVID-19 has had a significant impact on the operations of the business and the territories in which it operates. The impact of COVID-19 has impacted each CGUs ability to generate future cash flows in the short-term and management have factored this into each CGUs cash flow forecast.

The key assumptions applied within these models are as follows:

- Adjusted EBITDA for the year ended 31 December 2019 is deemed to represent a standard year of cash-flows generated under normal operating conditions. Management have therefore used 31 December 2019 actuals as the base assumptions within the cash-flow forecast.
- These assumptions however have been adjusted to reflect management's assessment of the short-term impact of COVID-19 and longer term growth over the life of each CGU.
- As part of the Group's assessment of going concern and longer term viability a five year forecast reflecting the impact of COVID-19 has been prepared. Management have compared the assumptions used within this model to that of the actuals at 31 December 2019. The differential between 31 December 2019 and the COVID-19 five year forecast has been deemed to represent an implied reduction as a result of virus.
- Within this five year forecast management believe cash-flows will return to pre COVID-19 levels (31 December 2019 actual Adjusted EBITDA) by the year ended 31 December 2023.
- For the 2020 – 2023 forecast period, management have applied the respective financial year's hair-cut to the 31 December 2019 actuals to generate the forecast Adjusted EBITDA for each financial year. In turn this will result in the Adjusted EBITDA for the year ended 31 December 2023 to represent the 31 December 2019 actuals.
- From 31 December 2023 onwards management have forecast attendance will remain at 31 December 2019 levels, however all other assumptions will grow at a long term growth rate of 1%.

For CGUs which have either opened or been refurbished within the 31 December 2018 or 2019 financial years, management acknowledge that 31 December 2019 actuals do not represent a full year of standard trading. Therefore, specific assumptions have been applied to the key drivers over the 2020 – 2023 forecast period, in order for the forecast 2023 adjusted EBITDA to represent management's expectations of a standard year of operations (pre COVID-19) for that CGU.

For specific CGUs which have had negative decline in EBITDA over the 2017 – 2019 financial years, management have assumed this historical decline will continue to at least 31 December 2023. Further declines have been applied for those CGUs which forecast admissions per screen at 31 December 2023 were above the territories average admissions per screen, until the financial year the admissions per screen is below the territories average.

Total impairments recognised, across property, plant and equipment and right-of-use-assets during the period to 30 June 2020 of $612.6m are split between $465.8m within the US reporting segment (period to 30 June 2019: $nil), $111.6m within the UK reporting segment (period to 30 June 2019: $0.3m) and $35.2m within the ROW reporting segment (period to 30 June 2019: $nil). Impairments recognised during the period were in relation to 225 sites in the US, 42 sites in the UK and 21 sites in the ROW, whose recoverable amount was less than carrying amount. The recoverable amount of these sites subsequent to impairment was $1,499.7m.

In assessing the impairment, consideration was given to whether the fair value less cost to sell each CGU is higher than the calculated value in use of each CGU and therefore whether the recoverable amount was higher than carrying value. In all cases the fair value less cost to sell was found to be consistent with the value in use.

Sensitivity to changes in assumptions

During these uncertain times, there are significant challenges in preparing forecasts necessary to estimate the recoverable amount of a CGU. Management determined that using an expected cash flow approach is the most effective means of reflecting the uncertainties of the COVID-19 pandemic in its estimates of recoverable amount. This approach reflects all expectations about possible cash flows instead of the single expected outcome.

Notwithstanding this impairment reviews are sensitive to changes in key assumptions, especially given that the full extent of COVID-19 on the operations and future cash-flows of the Group is not fully known at this stage. Management have determined that the following assumptions used within the cash-flow forecast are most sensitive to further changes as a result of COVID-19. Sensitivity analysis has been performed on all CGUs calculated recoverable amounts giving consideration to incremental changes in the key assumptions of the following:

In calculating the CGU recoverable amount, management have applied specific growth rates in admissions which are deemed to be highly sensitive to the short term impact of COVID-19 and in the recovery of the operations of the business. The growth rate of admissions has been reduced by 1% per annum over the forecast period. This has therefore reflected the assumption that attendance for each CGU would decline by 1% per annum over the forecast period.

Growth rates of 1% have been applied to various assumptions within the model such as ATP, SPP and other revenue and costs. Management believe the most sensitive of these assumptions is ATP and SPP and have factored in a decrease in these growth rates by 1% to 0% within the sensitised scenarios.

Discount rates are largely derived from market data, and these rates are intended to be long term in nature. However, the models are sensitive to changes in these rates. An increase by a factor of 1% has been applied in the sensitised scenarios.

The implied hair-cut applied to the model over the 2020 – 2023 forecast period are sensitive to the outcomes of various scenarios used within the Groups assessment of going concern and long term viability as set out in note 2. We have recalculated the implied hair-cut based on a severe but plausible scenario over a 2020 – 2025 forecast period and applied this as a sensitised scenario.

The sensitives applied reflect realistic scenarios which management believe would have the most significant impact on the cash flows described above.

The sensitivity analysis has been prepared on the basis that the reasonably possible change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

The impact on the total impairment charge of applying different assumptions to the growth rates used over the forecast period and the discount rates would be as follows:

	Additional impairment $m
Growth in admissions reduced by 1%	444.3
ATP and SPP reduced by 1%	446.9
1 percentage point increase in the discount rates	363.5
Severe but plausible scenario	291.6

9. Intangible assets

The Group determines whether these assets are impaired when indicators of impairment exist or based on the annual impairment assessment. Given the impact of the COVID-19 pandemic on the Group during the period, this was deemed a triggering event for an impairment review to be performed at 30 June 2020.

	Goodwill $m	Brand $m	Distribution Rights $m	Other Intangibles $m	Total $m
Cost					
Balance at 1 January 2020	**5,503.2**	**421.2**	**53.1**	**166.9**	**6,144.4**
Additions			0.7	0.6	1.3
Effects of movement in foreign exchange	(44.0)	(3.1)	(1.7)	(0.8)	(49.6)
Balance at 30 June 2020	**5,459.2**	**418.1**	**52.1**	**166.7**	**6,096.1**
Accumulated amortisation and impairment					
Balance at 1 January 2020	**(11.1)**	**(25.8)**	**(45.7)**	**(54.1)**	**(136.7)**
Charge for the year	-	(1.8)	(2.2)	(11.0)	(15.0)
Impairments	(342.1)	-	-	-	(342.1)
Effects of movement in foreign exchange	0.8	1.9	1.6	0.6	4.9
30 June 2020	**(352.4)**	**(25.7)**	**(46.3)**	**(64.5)**	**(488.9)**
Net book value					
Opening	5,492.1	395.4	7.4	112.8	6,007.7
Closing	**5,106.8**	**392.4**	**5.8**	**102.2**	**5,607.2**

Each individual cinema, or collection of cinemas which are strategically or operationally co-dependent, is considered to be one CGU. However, for the purpose of testing goodwill for impairment, it is acceptable under IAS 36 to group CGUs, in order to reflect the level at which goodwill is monitored by management. The Group has the following CGUs for the purpose of testing goodwill for impairment: Goodwill for the US operating segment was acquired as a part of the acquisition of Regal in 2018 and is assessed as one CGU. The ex-Cine-UK, ex-UGC (including Dublin) businesses are now fully integrated, meaning that goodwill is now monitored on a UK (Cineworld) level. The Picturehouse business is monitored as a separate UK CGU. Cinema City CGUs are considered as separate groups in each territory and have been tested for goodwill impairment on this basis, the territories being Poland, Israel, Hungary, Romania, Bulgaria, Czech and Slovakia. The value of goodwill allocated to each CGU is as follows:

	30 June 2020 $m	31 December 2019 $m
United States	4,302.8	4,302.8
United Kingdom	355.0	725.4
Poland	124.5	130.7
Israel	87.7	88.0
Hungary	54.5	59.0
Romania	122.2	124.1
Czech Republic	35.2	37.2
Bulgaria	20.0	20.1
Slovakia	4.9	4.8

In testing goodwill for impairment, the value of each CGU's other intangible assets, investments and other long term assets, right-of-use assets and property, plant and equipment is included within the carrying value of the CGU. The recoverable amounts of US, UK and Cinema City CGU groups have been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period. These five year forecasts were also used as part of managements going concern and long term viability assessment. The five year forecast annual Adjusted EBITDA, as defined in Note 2, was used as the basis of the future cash flow calculation. Cash flows beyond the first five-year period have been extrapolated using each territories long term growth assumptions, with cash flows adjusted for rent at a CGU level applied beyond the period covered by each current lease. This growth rate does not exceed the long-term average growth rate for the market in which the CGU groups operate.

As a result of the goodwill test, the Group impaired $342.1m in respect of the United Kingdom goodwill. Of this impairment $14.5m was in relation to the Picturehouse CGU.

The pre-tax discount rates applied out detailed in Note 8. This is considered to reflect the risks associated with the relevant cash flows for each CGU Group.

Management have sensitised the key assumptions in the goodwill impairment tests and under both the base case and severe but plausible case. The key assumptions used and sensitised were the drivers of forecast cash flows (as set out in Note 2) and the relevant discount rate, which were selected as they are the key variable elements of the value in use.

Sensitivities have been applied to the forecast cash flows to assess the potential impairment under different scenarios. The scenarios applied are the severe but plausible scenario (as set out in note 2), a 1% reduction in long term growth rates and a 1% increase in discount rate. The results would be as follows, these values are after considering the property, plant and equipment sensitivities:

	Additional impairment $m
Severe but plausible case	786.7
Long term growth rates reduced by 1%	60.6
1 percentage point increase in the discount rates	123.2

10. Equity accounted investees

The Group has the following investment in jointly controlled entities:

	30 June 2020 Carrying value $m	**31 December 2019 Carrying value $m**
National Cinema Media, LLC	263.2	290.1
AC JV, LLC	5.0	5.7
Digital Cinema Distribution Coalition	1.3	3.0
Digital Cinema Media Limited	0.9	0.9
BLACK Schrauber Limited	0.8	0.5

Management evaluates its investments in equity accounted investees for impairment where events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value, an impairment in value is recorded.

The performance of the Group's equity accounted investees is closely linked to that of the performance of the movie exhibition industry which has been negatively impacted by the COVID-19 pandemic and management deem this as a trigger for impairment.

For the Group's investments in AC JV, LLC, Digital Cinema Distribution Coalition, Digital Cinema Media Limited and BLACK Schrauber Limited management have analyzed the historical performance and future expected performance of these investments. Historically these investments have generated positive net income and cash flows from operations. Management expect the performance of these entities to improve once theatres reopen and that the impact of COVID-19 will only have a short term impact on these investments cash-flows. As a result, management believe that the recoverable amount of these investments is greater than the carrying amount.

In determining whether the investment in National Cinema Media, LLC is impaired, management has assessed the recoverable amount by reference to the present value of forecast future cash flows and concluded that the recoverable amount is greater than carrying value and no impairment has been recognised.

The impact of COVID-19 has created uncertainty around the forecast cashflows generated from the investment in NCM and therefore there is some judgment applied in assessing the value in use. Key assumptions applied in forecasting the cashflows are:

- Cashflows for the year ended 31 December 2019 are considered to represent a standard year of cash-flows generated under normal operating conditions. Management have therefore used 31 December 2019 actuals as the base assumptions within the cash-flow forecast.
- As part of the Group's assessment of going concern and longer term viability a five year forecast reflecting the impact of COVID-19 has been prepared. Management have compared the assumptions used within this model to that of the actuals at 31 December 2019. The differential between 31 December 2019 and the COVID-19 five year forecast has been deemed to represent an implied reduction as a result of virus.
- For the 2020 – 2023 forecast period, management have applied the respective financial year's reduction to the 31 December 2019 actuals to generate the forecast cashflows for each financial year. In turn this will result in the cashflows for the year ended 31 December 2023 to represent the 31 December 2019 actuals.
- Growth rates of 1% have been applied over the life of the forecast cash flows.

Sensitivity analysis has been performed on all CGUs calculated recoverable amounts giving consideration to incremental changes in the key assumptions of the following:
- Growth rates of 1% have been applied over the life of the cashflows. A decrease in these growth rates by 1% to 0% has been applied in the sensitised scenarios.
- Discount rates are largely derived from market date, and these rates are intended to be long term in nature. However, the models are sensitive to changes in these rates. An increase by a factor of 1% has been applied in the sensitised scenarios.

The sensitives applied reflect realistic scenarios which management believe would have the most significant impact on the cash flows described above.

The impact on the total impairment charge of applying different assumptions to the growth rates used over the forecast period and the discount rates would be as follows:

	Additional impairment $m
Growth rates reduced by 1%	7.8
1 percentage point increase in the discount rates	12.3

11. Leases

In response to COVID-19, the IASB announced, considered and issued a COVID-19 specific amendments to IFRS 16 on 28 May 2020.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The exemption applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.The Group elected not to apply the exemption

Modification and Discount Rates

Due to the negotiations held with landlords, the amended leases have changed in substance either from a consideration or term perspective. Thus, the modification treatment per IFRS16 has been followed.

In line with the approach on transition to IFRS 16, the Group has used an incremental borrowing rate, and made a corresponding adjustment to the right-of-use asset. (The amendments did not result in the identification of a separate lease)

On transition, the incremental borrowing rates applied to property leases ranged between 2.6% and 11.7%. The asset specific incremental borrowing rate applied to each lease was determined by taking into account the risk-free rate, adjusted for factors such as the credit rating linked to the life of the underlying lease agreement. These rates are intended to be long term in nature and calculated on inception of each lease. The incremental borrowing rates applied to property leases for the COVID-19 amendments ranged between 5.9%-16.8%.

Due to the number of renegotiated agreements in the period, the Group amended a large number of its leases and expects further modifications before the end of 2020 which could lead to a reversal of impairment in the event that the right of use asset reduces by an amount greater than the current impairment charge as a result of the amendment. The number of size of amendments made are such that judgement taken were significant. These judgments included:

- Where a lease includes the option for the Group to extend the lease term, beyond the non-cancellable period, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current and future trading forecast as to the ongoing profitability of the site; and the level and type of planned future capital investment. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Therefore, potential future cash outflows have not been included in the lease liability where it is not reasonably certain the extension periods will be taken or that the leases will be extended on similar terms (or not terminated).
- The discount rate applied. The amendments took place over a three-month period, the group elected to apply an average discount rate over the period rather applying the rate at the specific date of the amendment. Given the judgement required around the date of amendment and the uncertainty affecting incremental borrowing rates, using a rate covering the three-month period is considered to be appropriate
- The date of the amendment. Judgement was required to determine when the terms of each amendment were formally agreed, which in some cases was considered to have occurred prior to the date of signing the agreement.
- All renegotiated leases were treated as modification under IFRS 16, management has taken the judgement that all renegotiated lease met the criteria for amendment based on the changes to the cashflows, length and conditions of the original leases.

Impairment and Disposals

The Group recognised impairment of $385.3m of right-of-use assets, note 9 summarises the assumptions applied. The Group also recognised $0.8m reversal of impairments in 3 sites in US segment that were previously impaired, but due to the modification, the asset was decreased below $nil and was adjusted therefore back to $nil. The disposals refer to six sites in the US Segment that were closed, resulting in a $0.2m gain.

	Land and buildings $m	**Plant and machinery $m**	**Other $m**	**Total $m**
Right-of-use assets				
1 January 2020	**3,439.1**	**1.0**	**1.1**	**3,441.2**
Modifications	120.2	-	-	120.2
Additions	10.9			10.9
Disposals	(9.2)	-	-	(9.2)
Effects of movement in foreign exchange	(52.0)	-	-	(52.0)
Impairment	(385.3)	-	-	(385.3)
Depreciation	(203.0)	(0.3)	(0.5)	(203.8)
30 June 2020	**2,920.7**	**0.7**	**0.6**	**2,922.0**
Lease liabilities				
1 January 2020	**4,195.9**	**0.4**	**1.2**	**4,197.5**
Modifications	118.1	-	-	118.1
Additions	12.8			12.8
Interest expense related to lease liabilities	164.1	-	0.1	164.2
Disposals	(9.4)	-	-	(9.4)
Effects of movement in foreign exchange	(66.4)	-	-	(66.4)
Repayment of lease liabilities (including interest)	(165.6)	(0.2)	(0.5)	(166.3)
30 June 2020	**4,249.5**	**0.2**	**0.8**	**4,250.5**
Current	416.3	0.1	0.6	417.0
Non-current	3,833.2	0.1	0.2	3,833.5

12. Loans and borrowings

	30 June 2020 $m	31 December 2019 $m
Non-current liabilities		
Secured bank loans, less issue costs of debt to be amortised	4,196.2	3,485.4
Total non-current liabilities	**4,196.2**	**3,485.4**
Current liabilities		
Bank loans, less issue costs of debt to be amortised(1)	16.2	131.4
Overdraft	11.7	2.5
Total current liabilities	**27.9**	**133.9**
Total liabilities	**4,224.1**	**3,619.3**

(1) Based on the current funding requirements of the Group and the maturity of the RCF, the outstanding balance on the RCF is not expected to be paid in the next 12 months and is held as non-current

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	30 June 2020 Face value $m	30 June 2020 Carrying amount $m	31 December 2019 Face value $m	31 December 2019 Carrying amount $m
Initial US Dollar Term Loan	USD	Eurocurrency Base Rate (1) plus applicable margin(2)	2025	2,700.2	2,682.9	2,716.8	2,672.1
Initial Euro Term Loan	EUR	Eurocurrency Base Rate(1) plus applicable margin(2)	2025	214.6	213.0	215.4	212.2
Incremental US Dollar Term Loan	USD	Eurocurrency Base Rate(1) plus applicable margin(2)	2025	645.1	645.2	648.4	642.3
Private placement loan	USD and EUR	11.0%	2023	250.0	230.7	-	-
Revolving credit facility	USD	Eurocurrency Base Rate(1) plus applicable margin(2)	2023	454.0	433.5	95.0	90.2
Secured Bank loan – DCIP	USD	4.17%	2021	0.2	0.2	-	-
Israeli government loan	NIS	Base rate plus 2%	2025	6.9	6.9	-	-
Total interest-bearing liabilities				**4,271.0**	**4,212.4**	**3,675.6**	**3,616.8**

(1) The rate of interest in the case of any Eurocurrency Rate Loan denominated in Dollars is the rate per annum equal to the London interbank offered rate administered by ICE Benchmark Administration Limited, subject to a zero floor. The rate of interest in the case of any Eurocurrency Rate Loan denominated in Euro is the rate per annum equal to the euro interbank offered rate administered by the European Money Markets Institute, subject to a zero floor.

(2) The margin applicable to each tranche of Term Loans and to drawings under the Revolving Credit Facility is calculated according to the first lien net leverage ratio of Crown UK Holdco Limited and its subsidiaries. The applicable margin on Eurocurrency Rate Loans is as follows: Initial US Dollar Term Loan – 2.50% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00 and otherwise 2.25%. per annum; Initial Euro Term Loan – 2.625% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00 and otherwise 2.375%. per annum; Incremental US Dollar Term Loan – 2.75%. per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00, 2.25% per annum where the first lien net leverage ratio is less than or equal to 3.00:1.00 and otherwise 2.50% per annum; and Revolving Credit Facility drawings – 3.00% per annum where the first lien net leverage ratio is greater than or equal to 3.50:1.00, 2.50%. per annum where the first lien net leverage ratio is less than 3.00:1.00 and otherwise 2.75 per cent. per annum

Included within the carrying value of loans is accrued interest payments for Q2 2020 of $30.7m (31 December 2019: $nil) which were paid on 1 July 2020.

Attached to the incremental US Dollar Term Loan at 31 December 2019 was three interest rate swaps. One of these swaps was settled during the period.

On 30 June 2020 the Group secured a $250.0m private placement debt facility with a maturity of 30 June 2023. The $250.0m debt facility consisted of a €122.9m and $112.5m loan. An original issue discount of €4.9m and $4.5m was incurred on draw down respectively alongside borrowing costs of $9.3m which were capitalised against this facility.

On 28 May 2020 the Group further increased its RCF by $110.8m to $573.3m and drew down an additional $359.0m. The following additional covenants are attached to the extension to the RCF:

- Liquidity covenant: Minimum $50m (cash, cash equivalents and undrawn committed financing, minus extended / overdue trade credit payments) whilst the RCF extension is drawn.

During the period the Israeli government granted a loan of NIS 24m ($6.9m) with a maturity of 2026. There are no conditions attached to the loan.

During the period the Group drew $0.2m on the DCIP secured bank loan.

As a result of drawing down on the RCF the Group's springing covenants were triggered on a draw-down of the RCF of 35%, which required a leverage ratio of below 5.0x. The Group secured a leverage covenant waiver in respect of its credit facility for the June 2020 testing date and has increased its leverage covenant to 9.0x Net Debt to EBITDA for the December 2020 testing date. Further details of compliance with covenants are set out in note 2.

The following financial covenants are attached to the private placement debt facility. These financial covenants are calculated only on those entities within the ROW operating segment:

- Springing liquidity covenant: Minimum $30m (cash, cash equivalents and undrawn committed financing, minus extended / overdue trade credit payments), tested monthly from closing provided that if on a test date falling after 30 June 2021, Net Leverage is less than 2.0x, the minimum liquidity covenant shall not be required to be tested on that test date.
- Net leverage: 5.0x, tested semi-annually from 31 December 2021, by reference to LTM amounts. Subject to equity cure right, which shall be required to be applied in prepayment (with Call Protection) in the case of leverage cure. No consecutive cures.

13. Net debt

	Bank loans $m	Loan note $m	Lease liabilities $m	Derivatives $m	Bank overdraft $m	**Total financing activity liabilities $m**	Cash at bank and in hand $m	**Net debt $m**
1 January 2019	(3,946.2)	(3.0)	(3,496.8)	0.2	–	**(7,445.8)**	316.3	**(7,129.5)**
Cash flows	330.7	3.0	613.3	–	(2.5)	**944.5**	(167.1)	**777.4**
Non-cash movement	(27.2)	–	(1,285.3)	(4.0)	–	**(1,316.5)**	–	**(1,316.5)**
Effect of movement on foreign exchange rates	25.9	–	(28.7)	–	–	**(2.8)**	(8.6)	**(11.4)**
At 31 December 2019	**(3,616.8)**	**–**	**(4,197.5)**	**(3.8)**	**(2.5)**	**(7,820.6)**	**140.6**	**(7,680.0)**
Cash flows	(575.6)	-	166.3	-	(9.2)	(418.5)	137.3	(281.2)
Non-cash movement	(19.8)	-	(285.7)	0.6	-	(304.9)	-	(304.9)
Effect of movement on foreign exchange rates	(0.2)	-	66.4	-	-	66.2	7.5	73.7
At 30 June 2020	**(4,212.4)**	**-**	**(4,250.5)**	**(3.2)**	**(11.7)**	**(8,477.8)**	**285.4**	**(8,192.4)**

The non-cash movements of $19.8m (31 December 2019: $27.2m) within bank loans represents the amortisation of debt issuance costs $5.8m (31 December 2019: $27.2m), accrued interest $30.8m (31 December 2019: $nil) and accrued debt issuance costs of ($16.8m) (31 December 2019: $nil).

The non-cash movement of $285.7m (31 December 2019: $1,285.3m) within lease liabilities relates to the following: the unwind of lease liabilities of $164.2m (31 December 2019: $304.2m), the impact of entering into new leases, disposal and modifications of existing leases of $121.5m. (31 December 2019: $981.1m).

14. Fair value measurement of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. Short-term debtors, creditors and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

Finance lease liabilities are recorded at amortised cost, as derived from expected cash outflows and the estimated incremental borrowing rate attached to the lease. Finance lease liabilities are separately disclosed within the Consolidated Statement of Financial Position.

	Carrying amount 30 June 2020 $m	**Fair value 30 June 2020 $m**	Carrying amount 31 December 2019 $m	Fair value 31 December 2019 $m
Secured bank loans	4,212.4	4,301.9	3,616.8	3,675.6
Bank overdrafts	11.7	11.7	2.5	2.5
Equity investments	(10.0)	(10.0)	(10.0)	(10.0)
Forward contract	-	-	(10.4)	(10.4)
Unhedged interest rate swap	3.2	3.2	4.5	4.5
Hedged interest rate swap	-	-	9.7	9.7
Total	**4,217.3**	**4,306.8**	**3,613.1**	**3,671.9**

Fair Value Hierarchy of Financial Instruments:

Equity investments relate to investments designated as fair value through OCI. Any movement in fair value has been recognised within fair value reserve. The Group holds unquoted equity investments and concluded that these cost of investments represent their fair value at 30 June 2020.

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 30 June 2020 and 31 December 2019. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable on the Group's $650.0m incremental term loan. The Group considered its hedging relationships and determined that the interest rate swap agreements on these borrowings qualify for hedge accounting in accordance with IFRS 9, "Financial Instruments". Under the provisions of IFRS 9, the interest rate swap agreements are recorded on the Consolidated Statement of Financial Position at their fair values, with subsequent changes in fair value recorded in the Consolidated Statement of Comprehensive Income.

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical financial assets or financial liabilities that the Group has the ability to access.
- Fair values determined by Level 2 inputs use inputs other than the quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities. The Group uses market interest rates and yield curves that are observable at commonly quoted intervals in the valuation of its interest rate swap agreements. The derivative positions have been determined by a third party expert. The Group considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives. Any adjustments resulting from credit risk are recorded as a change in fair value of the derivatives and reflected in the Statement of Comprehensive Income.
- Level 3 inputs are unobservable inputs for the financial asset or financial liability, and include situations where there is little, if any, market activity for the financial asset or financial liability. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the financial asset or financial liability.

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
30 June 2020				
Derivative financial instruments	-	3.2	-	3.2
Equity investments	-	-	(10.0)	(10.0)
31 December 2019				
Derivative financial instruments	-	3.8	-	3.8
Equity investments	-	-	(10.0)	(10.0)

There have been no transfers between levels in 2020 (2019: no transfers). No other financial instruments are held at fair value.

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- 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 bank loans is stated net of debt issuance costs and the fair value is stated gross of debt issuance costs and is calculated using the market interest rates.
- The fair value of investments has been calculated by reference to quoted market values. The Group holds two unquoted equity investment and have concluded that the cost of these investments represents its fair value at 30 June 2020.

All of the resulting fair value estimates are included in level 2 except for unlisted equity investments (Level 3).

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 30 June 2020 and 31 December 2019. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Cost is considered to be a reasonable approximation of fair value for the Group's financial instruments classified as level three due to the timing of the purchase of the asset.

15. Equity securities issued

	2020 Shares (thousands)	**2019 Shares** (thousands)	**2020** $m	**2019** $m
Issues of ordinary shares during the period ended 30 June				
Exercise of options issued under the Employee share scheme and employee performance plan	**-**	**786**	**-**	**2.2**
	-	**786**	**-**	**2.2**

16. Provisions

	Provisions for contracts with suppliers $m	**Other provisions $m**	**Total provisions $m**
Balance at 31 December 2019	**2.4**	**4.5**	**6.9**
Provisions made	-	-	**-**
Provisions utilised	-	(0.1)	**(0.1)**
Provisions released to profit or loss during the period	-	-	**-**
Balance at 30 June 2020	**2.4**	**4.4**	**6.8**
Current	2.4	3.9	**6.3**
Non-current	-	0.5	**0.5**
Total	**2.4**	**4.4**	**6.8**

Provisions for contracts with suppliers relate to claims from suppliers against contractual obligations. These provisions were assessed by applying the expected payments based on settlement of historic claims, and legal claims which have been assessed based on legal advice received.

Other provisions relate to legal, sales tax and unclaimed property amounts.

17. Related party transactions

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

Total compensation for the Directors during the period to 30 June 2020 was $3.5m (period ended 30 June 2019: $3.2m; year ended 31 December 2019: $7.8m). At 30 June 2020 the balance owed to directors was $2.5m (year ended 31 December 2019: nil). During the period ended 30 June 2020 the directors did not receive a salary for the period 1 April 2020 to 30 June 2020, which resulted in a deferred amount of $2.5m being owed as at 30 June 2020. The directors began receiving a full salary from 1 August 2020 in line with the reopening of the business, no payment has been made in respect of amounts deferred earlier in the year.

National Cine Media (NCM) is a joint venture set up between AMC Entertainment Holdings Inc, Cinemark Holdings Inc and NCM. The revenue receivable from NCM during the period to 30 June 2020 was $43.4m (year ended 31 December 2019: $97.8m). As at 30 June 2020 no amounts were due to NCM in respect of trade payables (year ended 31 December 2019: $1.4m) and no amounts were due from NCM in respect of trade receivables (year ended 31 December 2019; $6.3m).

Fathom AC JV is a joint venture between AMC Entertainment Holdings Inc, Cinemark Holdings Inc and NCM. There were no transactions during the period. As at 30 June 2020 no amounts were due to Fathom AC in respect of trade payables (year ended 31 December 2019; $0.9m).

Digital Cinema Distribution Coalition (DCDC) is also a Group joint venture. No transactions occurred during the period with this related parties. There were no amounts owing from or owing to these related parties at 30 June 2020.

Digital Cinema Media (DCM) is a joint venture between the Group and Odeon Cinemas Holdings Limited. Revenue receivable from DCM in the period to 30 June 2020 was $9.9m (year ended 31 December 2019: $24.9m) and as at 30 June 2020 no amounts were due from DCM in respect of trade receivables (year ended 31 December 2019: $3.8m). In addition, the Group has a working capital loan receivable outstanding from DCM of $0.6m (year ended 31 December 2019: $0.6m).

During the period the Group incurred property charges of $4.6m (December 2019: $10.4m) and had amounts receivable of $0.4m (year ended 31 December 2019: $nil) and amounts payable of $0.5m (year ended 31 December 2019: $nil) from companies under the ownership of Global City Theatres B.V. ("GCT"), which is considered a related party of the Group as Moshe Greidinger and Israel Greidinger are directors of both groups.

18. Contingent Liabilities

Following Cineworld's termination on 12 June 2020 of the Arrangement Agreement relating to its proposed acquisition of Cineplex Inc. ("Cineplex"), Cineplex initiated proceedings against Cineworld. The proceedings allege that Cineworld breached its obligations under the Arrangement Agreement and/or duty of good faith and honest contractual performance. Cineworld is defending its position. The Group terminated the Arrangement Agreement because Cineplex breached a number of its covenants under the Arrangement Agreement and could not meet certain conditions necessary for closing. Cineplex did not remedy its breaches when given the opportunity to do so. As of the date of these financial statements, the Directors are of the view that no material liability will arise in respect of the legal this claim.

Independent review report to Cineworld Group Plc

Report on the Interim Condensed Consolidated Financial Statements

Disclaimer of conclusion

We were engaged to review Cineworld Group Plc's interim condensed consolidated financial statements (the "interim financial statements") for the 6 month period ended 30 June 2020.

Because of the significance of the matters described in the Basis for disclaimer of conclusion paragraphs below in respect of the existence of a number of material uncertainties relating to the going concern basis of preparation of the interim financial statements, we have not been able to obtain sufficient appropriate evidence to provide a basis for our conclusion. Accordingly, we do not express a conclusion on Cineworld Group Plc's interim financial statements.

Basis for disclaimer of conclusion

We have been unable to form a conclusion on the appropriateness of the going concern basis of preparation of the interim financial statements due to the existence of a number of material uncertainties.

At 30 June 2020 the Group's financing arrangements principally consisted of term loans totalling $3.6bn, a private placement loan of $250m and a revolving credit facility of $573m, which includes a $111m extension to 31 December 2020, which had been drawn down by $454m. The revolving credit facility is subject to certain leverage and liquidity based financial covenants, which are triggered above 35% of the facility being drawn and the term loans also have cross default provisions in respect of this covenant.

In assessing the Group's going concern assessment we have considered whether sufficient liquidity exists and compliance with the financial covenants in the forecast period of 15 months from the date of this conclusion for both the base case and severe but plausible downside case. In light of the ongoing Covid-19 situation there remains significant uncertainty over the short term in respect of the impact that this will continue to have on the company and the wider industry.

Refer to management's basis of preparation in note 1 to the interim financial statements which sets out the key assumptions in respect of both the base case and severe but plausible downside forecasts.

In respect of the base case, this currently forecasts sufficient liquidity for the going concern period, however it is sensitive to the ability to open the remaining cinemas in New York and California by the end of October, and to further delays of the current forecast movie slate. In the event of either of these situations materialising, or further restrictions being imposed on cinemas which are already open, then further liquidity may be required in the base case forecast.

The severe but plausible downside forecast requires further liquidity funds in order for headroom to be maintained within the going concern period. As explained in note 1, the Board is assessing several options with regard to additional sources of liquidity including the extension of the RCF facility which matures at 31 December 2020, an additional Term Loan and an equity raise.

Both the base case and the severe but plausible downside case are forecasted to breach the leverage-based financial covenant under the revolving credit facility at both December 2020 and June 2021, and accordingly a waiver is required to avoid a default under this facility and the other facilities due to the cross default risk. Waiver discussions are ongoing with the lenders, and as at the date of this report management has not yet been able to obtain a waiver in respect of either 31 December 2020 or 30 June 2021.

At the time of our review we have not been able to obtain sufficient appropriate evidence as to whether the waivers could be obtained or additional funds could be obtained where required.

The absence of the waivers and the uncertainty over the short term as a result of the ongoing Covid-19 situation represent material uncertainties which are too severe for us to express a conclusion on the interim financial statements.

What we were engaged to review

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 June 2020;
- the Condensed Consolidated Statement of Profit and Loss and Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. However, because of the matters described in the Basis for disclaimer of conclusion above, we were unable to express a conclusion. This report, including the disclaimer of conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this disclaimer of conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We were engaged to review the interim financial statements in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers LLP
Chartered Accountants
London
24 September 2020

Risk and Uncertainties

The principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of 2020 are largely the same as those described in detail pages 22-27 of the Group's Annual Report for 2019, a copy of which is available from the Group's website.

These include:

1. Technology and Data Control	A critical system interruption or major IT security breach encountered
2. Availability and Performance of Film Content	Lack of access to high quality, diverse and well publicised movie product
3. Provision of next Generation Cinemas	Maintaining/refurbishing existing sites and/or developing new sites fails to provide a circuit of next generation cinemas.
4. Viewer Experience and Competition	The quality of products and services offered fails to meet the needs of the customer and deliver an enhanced viewer experience
5. Revenue from Retail/Concession Offerings	Delivery of a retail/concession offering that does not meet the requirements and preferences of our customers
6. Cinema operations	Failure to maintain and operate well run and cost effective cinemas
7. Regulatory Breach	A major statutory, regulatory or contractual compliance breach
8. Strategy and Performance	The approach to setting, communicating, monitoring and executing a clear strategy fails to deliver long-term objectives
9. Retention and Attraction	Failure to attract and retain Senior Management and/or other key personnel
10. Governance and Internal Control	A critical internal control and/ or governance failing occurs
11. Major incident	Inability to respond to a major incident
12. Integration with Regal	Failure to deliver expected benefits from the Regal acquisition and/or integrate the business into the Cineworld Group effectively
13. Treasury Management	Ineffective treasury management slows down our ability to service our debt obligations and deliver against our planned strategic initiatives (e.g. refurbishment programmes)

Responsibility Statement of the Directors' in Respect of the Interim Report

The directors confirm that to the best of our knowledge:

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

The Chief Executive Officer's Review report includes a fair review of the information required by:

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

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

The directors of Cineworld Group plc are listed on the Cineworld Group plc website (www.cineworldplc.com).

By order of the Board

Moshe Greidinger Director	Nisan Cohen Director

24 September 2020

Shareholder Information

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