ODEON & UCI CINEMAS GROUP

Odeon & UCI Finco plc
Financial Results

for the three months and full year to 31 December 2012

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Presentation of Financial Data

This report summarises consolidated financial and operating data derived from the consolidated financial statements of Odeon & UCI Bond Midco Ltd ("Odeon Midco"). The summary financial information provided has been derived from our records for the accounting periods to December 2012, which are maintained in accordance with UK GAAP.

The 2012 audited consolidated statutory accounts of Odeon Midco are published on the group website (*http://www.odeonucicinemas.com*). The accounts also contain 2011 comparative information.

For prior year comparative purposes, the notes Offering Memorandum dated 13 May 2011 reproduced the 2010 and 2009 audited consolidated statutory accounts of Odeon and UCI Cinemas Group Ltd ("OUCGL"). OUCGL is the predecessor to Odeon Midco for the purposes of information provided in relation to the senior secured notes. The Offering Memorandum is available on the group website (*http://www.odeonucicinemas.com*) and should be referred to for audited comparative information.

The summarised information presented in this report is extracted by management from the same source as the audited accounts, but is presented in a management reporting style, consistent with previous quarterly reporting, which is intended to be more informative for the reader than the statutory accounts format.

The comparative information in the report includes the period prior to the closing of the notes offering by Odeon & UCI Finco plc, which took place on 24 May 2011 ("closing"). On that day, Odeon Midco became the parent company of the trading entities in the Odeon & UCI Cinemas operating group.

Merger accounting under UK GAAP is applied in these accounts. This means that, despite the fact that Odeon Midco owned the trading group only from 24 May 2011 onwards, the consolidated results include those of the group it acquired. Prior to closing, the group owed shareholder debt to Odeon and UCI Cinemas Group Limited ("OUCGL"). Interest on the shareholder debt was accrued by the acquired group up to 24 May 2011. Following closing, Odeon Midco group has no shareholder debt and thus no shareholder interest payable.

We have presented certain non-GAAP information in this report. This information includes ''EBITDA'', which represents earnings before interest, tax, depreciation, amortisation and one-off exceptional and strategic items.

Our management believes that EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA is used by our chief operating decision makers to track our business evolution, establish operational and strategic targets and make important business decisions. In addition, we believe that EBITDA is a measure commonly used by investors and other interested parties in our industry.

Some information presented in this report is described as Like-For-Like ("LFL"). This information excludes any cinemas trading in the group in the period or the comparative period but not in both.

Summary

Odeon & UCI is pleased to announce its results for the fourth quarter and full year 2012.

Strong performance in Q4

- Highest quarterly earnings of all time achieved in Q4, with strong film line up and favourable weather giving high market attendance volumes.
- Market volume increased 14% year-on-year, as a weighted average of our territories.
- Attendance of 26.2m (up 21%) and LFL of 25.3m (up 18%).
- Turnover(1) of £232 million (up 21%) and LFL of £222 million (up 18%).
- EBITDA(2) of £53.6 million (up 67%) and LFL of £50.6 million (up 60%).

Full year results highlights

- Despite the strong Q4, 2012 overall was disappointing in terms of market volume, with an unusual phasing and combination of negative impacts, but there was good progress on the continuing development of the business.
  - First quarter was soft, due to a weak film slate exacerbated by poor cinema-going weather.
  - Second quarter was our strongest second quarter ever, with strong titles and favourable weather in April and May, but much softer results in June due to the success of the European football championship and weaker slate in all territories.
  - Third quarter was a very weak market, heavily impacted by the Olympic and Paralympic Games, a weak film slate and very warm and dry weather in the Mediterranean area.
  - Fourth quarter was our best quarter ever, with a strong film slate, more favourable weather and despite the VAT increase on ticket prices in Spain.

- Overall markets showed a weighted average market decline of 3% on 2011: the lowest average market volume for over 10 years.

- Attendance of 82.3m, up 4%, with 8 new cinemas added in the year.

  LFL attendance of 76.4m, down 2%, a smaller decline than the markets, impacted by film slate, weather and competing events (European football championship and Olympic Games).

- Turnover(1) of £724 million (up 4%) and LFL of £671m (down 2%), in line with attendance.

- EBITDA(2) of £90.8m (down 3%) and LFL EBITDA of £82.3m (down 10%), although the trend of underlying growth continued.

(1) At constant fx rates.

(2) Earnings before interest, tax, depreciation, amortisation and one-off exceptional and strategic items. EBITDA includes a £9.1m credit to rent in 2012 with regard to prior years, as described on page 9. The results in this report are stated after charging rent payable to Odeon Property Group LLP ("PropCo"). See page 10 for details.

Summary (cont)

2012 activity highlights

Portfolio development – additional cinemas

During 2012, eight cinemas were added to the group's portfolio as follows:

March	The Point, Dublin, Ireland (6 screens)
July	BFI, London (high profile managed site with 1 screen, the biggest in the UK)
September	Broadway Plaza, Birmingham, UK (12 screens)
October	Llanelli, UK (5 screens) Puerto Venecia, Zaragoza, Spain (10 screens)
November	Dorchester, UK (3 screens) As Cancelas, Santiago, Spain (8 screens)
December	Catania, Italy (7 screens)

Portfolio development – major refurbishments

In London, the Whiteleys cinema was redeveloped during late 2011 and reopened in January 2012. It now includes "The Lounge", the group's unique luxury offering that includes reclining leather seating and at-seat service of fine food and drink.

There were three other major refurbishments in the UK during the year, which included the "Odeon Studios" adjacent to the flagship Leicester Square cinema in London, and two in Spain.

Retail and other developments

The group continued to invest in rolling out improved food and drink offerings, broadening the range of products available to customers. A further 21 Costa Coffee locations were added during the year in the UK and Ireland, bringing the total to 43 at year-end. In Spain, following earlier trials, further coffee shops using the premium Farggi brand were opened, bringing the total to 4 at year-end.

A video on demand (VOD) platform in Spain was launched during November 2012 and, at two sites in the UK, trials of a "4D" experience using motion seats were commenced. Both are in their early stages and their potential and performance will become clearer during 2013.

Digital projection

The conversion of the whole group to digital projection was completed in July 2012, supported by external funding arrangements.

The benefits from digital are in the process of being realised: 3D projection is established; significant staff cost savings have been achieved, with more to follow; screen advertising advantages are starting to be seen; and alternative content is growing. There is an ongoing appetite from our customers for 3D film product, which commands a ticket price premium. In 2012, approximately 17% of our cinema attendance and 21% of our box office revenue arose from 3D films, both slightly down on prior year due to the relative success in 2012 of 2D films, such as *Skyfall*. For 2013, the 3D film slate looks stronger.

iSens projection

'iSens' is the group's proprietary big screen concept. It was launched in 2011 with good results at two cinemas in Spain and one in Italy. During 2012, nineteen further iSens screens opened in Continental Europe and the system was introduced at one site in the UK and two in Ireland, where the slightly different brand name 'isense' is used.

Operating and Financial Review

Film product and market volumes in 2012 Q4

Market attendance in Q4 was stronger across all territories, particularly so in the UK and Germany where Q4 attendance was the highest of the last five years. Q4 attendance in Spain was strong compared to the last two years, despite the increase of VAT on ticket prices. Q4 attendance in Italy was also up slightly versus last year, despite some local films being postponed from Q4 2012 to 2013.

In the UK, the record breaking result of *Skyfall* was the main driver of market attendance and was the leading title by far, but well supported by strong performances from *The Hobbit* and *Twilight Saga: Breaking Dawn Part 2.* The box office revenue generated in 2012 Q4 by the top five titles was more than double that of their prior year equivalents.

In Germany, *Skyfall* also performed very well and received support from *Madagascar 3* as well as *The Hobbit* and *Twilight Saga: Breaking Dawn Part 2.*

In Spain, high attendance in Q4 was driven by the good results of the local film *Lo Imposible.*

In Italy, the final two instalments of *Twilight Saga: Breaking Dawn* headed Q4 in their respective years. Absence of local product, postponed to 2013, was the main reason that the market was up less than elsewhere.

Weighted average market attendance for the year was down 3%, with the UK and Germany mitigating the weaker results of the southern European territories.

	Three months ended 31 Dec		%	Year ended 31 Dec		%
	2011	**2012**	*change*	**2011**	**2012**	*change*
Paid Attendance (millions)	21.6	26.2	*21%*	79.2	82.3	*4%*
Group turnover[(1)] (£ millions)	190.9	231.7	*21%*	697.2	723.9	*4%*
Average ticket price[(2)] £	5.99	6.07	*1%*	6.07	6.02	*(1%)*
Retail revenue per head[(2)] £	1.94	1.94	*0%*	1.96	1.96	*(0%)*
EBITDA[(1) (3)] (£ millions)	31.0	53.6	*73%*	90.6	90.8	*0%*
EBITDA[(3)] (£ millions)	32.0	53.6	*67%*	93.4	90.8	*(3%)*
Like-for-like (LFL) comparisons[(4)]						
Paid Attendance LFL (millions)	21.4	25.3	*18%*	78.3	76.4	*(2%)*
Group turnover LFL[(1)] (£ millions)	188.1	221.9	*18%*	686.5	670.5	*(2%)*
Average ticket price LFL[(2)] £	5.88	6.03	*3%*	5.97	6.03	*1%*
Retail revenue per head LFL[(2)] £	1.91	1.93	*1%*	1.92	1.97	*3%*
EBITDA LFL[(1) (3)] (£ millions)	30.5	50.6	*66%*	89.0	82.3	*(8%)*
EBITDA LFL[(3)] (£ millions)	31.6	50.6	*60%*	91.8	82.3	*(10%)*

KPIs and costs

- Attendance was up 21% in the quarter, with LFL attendance up 18%, because of the strong films and favourable weather.
- Average ticket price[(1)] ("ATP") was 3% up (LFL). Full year ATP was 1% up (LFL), in spite of a lower 3D mix.
- Retail revenue per head[(1)] ("RPH") was up 1% (LFL) in the quarter impacted by the higher level of attendance. Full year was 3% up (LFL) benefiting from the increasing contribution of retail investment.

(1) At constant fx rates.

(2) At constant fx rates and constant territory weighting, for major territories.

(3) Earnings before interest, tax, depreciation, amortisation and one-off exceptional and strategic items. EBITDA includes a £9.1m credit to rent in 2012 with regard to prior years, as described on page 9.

(4) LFL information excludes any cinemas trading in the group in the period or the comparative period but not in both.

Operating and Financial Review (cont)

The following comments relate to the financial statements set out on pages 10 to 12.

Profit & Loss Account (page 10)

Turnover in Q4 was up 17% at historic foreign exchange ("fx") rates, and up 21% at constant fx. LFL turnover was up 18%.

Full year turnover was £724 million, marginally behind 2011 at actual historic foreign exchange but up 4% at constant fx.

Gross profit margin in both Q4 and the full year (LFL) declined, primarily from higher film hire rates (% of box office revenue) due to the higher proportion of blockbuster product.

Control over operating costs was firm, particularly over staff costs. Rent was lower than 2011 in both the quarter and the full year as it is stated net of lease incentives, as described on page 9.

Q4 EBITDA was £53.6m (up 67%) and LFL was £50.6m (up 60%, or 66% at constant fx). Full year EBITDA was £90.8m (down 3%) and LFL was £82.3m (down 10%).

Strategic costs were £1.0m in the quarter and £2.6m in the full year. These costs relate to the development of new business. Some of these activities lead to ongoing new business, some are aborted.

Depreciation and amortisation of £73.9m increased by £8.6m compared to 2011. The 2012 total includes a £9.1m charge in relation to prior years regarding landlord contributions, described on page 9. Aside from this, the underlying rate decreased in 2012 following a detailed review and update to the asset lives for depreciation calculation purposes. The impact of this change is a reduction of approximately £9.0m per annum in the depreciation charge.

Of the total, £11.4m was amortisation of goodwill. The carrying value of goodwill in the balance sheet at the 2012 year-end was £167.6m. Goodwill is amortised over 20 years.

Exceptional costs of £2.3m in the year related primarily to restructuring redundancy costs resulting from digital projection roll-out and the 2011 acquisitions.

Exceptional income of £1.3m in the year related to reductions in the onerous lease provisioning.

Interest reported in the profit & loss account contained both cash and non-cash elements.

The cash-payable element was primarily interest on the senior secured notes, local bank charges and finance lease interest. As explained in the "Presentation of Financial Data" section, non-cash interest on shareholder debt was accrued by the acquired group up to 24 May 2011. Following closing on 24 May 2011, Odeon Midco group has no shareholder debt and thus no shareholder interest payable.

Interest payable and similar charges for both the final quarter and full year of 2012 were broadly in line with their prior year equivalents, although there were two compensating effects within the full year figures:

a) an increase of £9m due to the higher interest following the bond issue; and
b) a decrease of £9m because capitalised issue costs relating to the old facilities were written-off in 2011.

The tax credit for the year was £2.4m, primarily due to the recognition of a €3.5m (£2.8m) deferred tax asset relating to German brought forward tax losses, which reduce current taxable profits.

Operating and Financial Review (cont)

Cashflow Statement *(page 10)*

There was a working capital inflow in Q4, reflecting seasonal stronger year end trading.

Net capital expenditure in Q4 mainly related to cinema openings and refurbishments. For the full year, the capital expenditure, which is net of digital refunds, reflected investment in development and growth opportunities, notably the 8 new site additions, as the proceeds of the May 2011 notes issue continued to be applied.

Finance costs paid in the quarter primarily represented one quarter's interest on the Euro notes. The half-yearly Sterling note interest payments are made in February and August. The full year figure was unusually high in 2012 because of the timing of the first Sterling notes interest payment.

Net debt finished the year at £450.2m (including finance leases). Closing cash was £52.1m.

Net debt is shown in the statutory accounts as £433.6m, because under UK GAAP borrowings are shown net of capitalised issue costs, which were £16.6m at year-end.

Balance Sheet *(page 11)*

Intangible fixed assets (goodwill) decreased by a net £48m because of a £37m reduction to the provisional goodwill relating to the 2011 acquisitions to reflect the higher fair value of acquired assets and £11m amortisation.

Tangible fixed assets increased as a result of group funded capital expenditure, externally funded digital assets capitalised, adjustments to the fair values of assets from 2011 acquisitions and accounting for landlord contributions as lease incentives. These increases were net of depreciation and fx movements. The net increase in NBV was £93m.

Current assets excluding cash increased by £7m and current liabilities increased by £17m; both reflected the higher trading volumes in December 2012 compared to December 2011. Net current assets are naturally favourable (negative) in this business, because revenues are collected from customers close to the day of attendance, whereas most direct costs and expenses are paid after a period of credit.

Non-current liabilities increased by £63m year-on-year, principally in the deferred income category, which includes non-cash accounting balances relating to externally funded digital assets and landlord contributions.

Senior secured notes decreased by £1m, due to the impact of different foreign exchange rates on the Euro senior secured notes and amortisation of capitalised issue costs.

Operating and Financial Review (cont)

Asset Accounting Review

During 2012, an exercise was completed to review depreciation rates and asset accounting. The principal conclusions were that:

(i) useful lives in relation to certain categories of assets for depreciation purposes were too short relative to actual asset lives; and

(ii) certain contributions from landlords relating to assets would be more appropriately accounted-for under the group's existing lease incentives accounting policy rather than as reductions in capital expenditure.

The resultant accounting changes made were as follows:

(i) Asset lives for depreciation calculation purposes were revised where appropriate. The impact on depreciation in the profit and loss account was a reduction of approximately £9.0m for 2012.

(ii) Adjustments were made in 2012 to the accounting for contributions from landlords as follows:

a) Fixed asset cost of £52.8m was added to the balance sheet.

Depreciation of £10.9m was charged through the profit and loss account on this asset cost, of which £9.1m related to previous years. Depreciation of £0.5m was also posted to goodwill, in relation to pre-acquisition periods of businesses purchased in 2011.

The resultant fixed asset net book value at the 2012 balance sheet date was £41.4m.

b) A creditor (deferred income) of £52.8m was added to the balance sheet, reflecting the lease incentives received.

The creditor was partly released to the profit and loss account during 2012, reducing rentals under operating leases by £10.9m, of which £9.1m related to previous years. Amounts of £0.5m were also posted to goodwill, in relation to pre-acquisition periods of businesses purchased in 2011.

The resultant creditor carrying value at the 2012 balance sheet date was £41.4m.

There was no impact on total operating expenses, profit, net assets or cash from any of the adjustments described in (ii) above.

Outlook

Management are confident about the group's prospects.

Results were very strong in the fourth quarter, following a low volume year with unusual phasing and combination of adverse impacts.

Development activity continued throughout 2012 and will grow earnings for the long term.

The film slate for 2013 looks more balanced than in 2012. It includes several sequels to established franchises and a good range of IMAX and 3D titles.

There are no major sport events to interrupt the 2013 release schedule.

Development expenditure on new sites and the existing estate will continue during 2013.

Condensed Consolidated Profit & Loss Account

£ millions

	Three months ended 31 Dec [a]		Year ended 31 Dec	
	2011	**2012**	**2011**	**2012**
Group turnover	**197.3**	**231.7**	**725.1**	**723.9**
Cost of sales	(64.6)	(87.1)	(254.9)	(260.7)
Gross profit	132.8	144.5	470.2	463.2
Operating costs	(67.7)	(69.7)	(252.1)	(255.1)
Rent [b]	(33.1)	(21.2)	(124.7)	(117.3)
EBITDA	**32.0**	**53.6**	**93.4**	**90.8**
Strategic one-off costs	(1.6)	(1.0)	(3.0)	(2.6)
Depreciation and amortisation	(21.1)	(22.8)	(65.3)	(73.9)
Operating profit/(loss) before exceptional items	9.3	29.9	25.1	14.3
Exceptional costs	(1.6)	(0.0)	(4.1)	(2.3)
Exceptional income	4.6	1.3	4.6	1.3
Operating profit/(loss)	12.3	31.1	25.6	13.3
Share of operating profit/(loss) of joint ventures	0.3	0.3	0.3	-
Profit/(loss) on disposal of properties	0.1	(1.7)	-	(1.8)
Profit/(loss) on ordinary activities before interest and taxation	12.7	29.8	25.9	11.5
Interest receivable from related parties	-	-	3.0	-
Interest payable and similar charges [b]	(15.7)	(16.0)	(56.9)	(58.6)
Interest payable on shareholder debt [c]	(0.0)	-	(35.0)	-
Other finance costs	-	(0.3)	-	(0.3)
Profit/(loss) on ordinary activities before taxation	(3.0)	13.5	(63.0)	(47.4)
Taxation	(0.0)	3.0	(2.4)	2.4
Profit/(loss) on ordinary activities after taxation	(3.0)	16.5	(65.4)	(45.0)

(a) *Data for Q4 alone is not audited. See description of audited and unaudited infomation on page 3.*

(b) *Rent includes a £9.1m credit in 2012 with regard to prior years.*

Included above are P&L charges in relation to PropCo group leases as follows:

- within Rent (operating leases)	2.5	2.5	9.5	9.8
- within Finance cost (finance leases)	0.6	0.7	2.2	2.2
	3.1	3.1	11.7	12.0

(c) *Interest on shareholder debt was accrued up to 24 May 2011 by the group acquired by Bond Midco.*
The Bond Midco group has no shareholder debt or associated interest subsequent to 24 May 2011.

(d) *Includes refinancing fees and pension deficit reduction costs.*

Condensed Consolidated Cashflow Statement

£ millions

	Three months ended 31 Dec [a]		Year ended 31 Dec	
	2011	**2012**	**2011**	**2012**
EBITDA	**32.0**	**53.6**	**93.4**	**90.8**
Movement in working capital	5.8	21.0	(13.0)	12.7
Net capital expenditure	(15.1)	(12.4)	(51.3)	(41.9)
Provisions and one offs	1.0	(5.4)	(13.4)	(15.7)
Finance costs [d]	(9.8)	(8.8)	(49.4)	(60.0)
Tax	(2.3)	(0.8)	(3.8)	(2.6)
Acquisitions and disposals	(28.7)	(3.3)	(116.2)	(3.6)
Share capital issued	-	-	0.1	-
(Increase)/decrease in net debt	**(17.1)**	**43.9**	**(153.6)**	**(20.3)**
Borrowing (repayment)/drawdown	0.0	(7.0)	191.5	-
Net increase/(decrease) in cash	**(17.1)**	**36.9**	**37.9**	**(20.3)**
Cash balance, beginning of period	91.9	14.7	36.3	73.0
Foreign exchange movements	(1.9)	0.5	(1.2)	(0.6)
Cash balance, end of period	**73.0**	**52.1**	**73.0**	**52.1**

Condensed Consolidated Balance Sheet

£ millions

	Note	December 2011	December 2012
Fixed assets			
Intangible assets		216.0	167.6
Tangible assets		431.4	524.1
Investments		1.2	1.0
		648.6	692.7
Current assets excluding cash	*1*	68.2	75.5
Cash		73.0	52.1
Debtors due after more than one year		11.2	11.7
Current liabilities	*2*	(169.5)	(186.3)
Total assets less current liabilities		**631.5**	**645.7**
Non-current liabilities	*3*	(597.6)	(660.3)
Net (liabilities)/assets		**33.9**	**(14.6)**
Capital and reserves			
Share capital and premium		549.1	547.4
Reserves		(515.2)	(562.0)
		33.9	**(14.6)**

Condensed Notes to the Financial Statements

£ millions

Note 1 - Current assets excluding cash	December 2011	December 2012
Stocks	7.4	6.7
Prepayments and accrued income	18.9	20.7
Other debtors due within one year	41.9	48.1
	68.2	75.5

Note 2 - Current liabilities	December 2011	December 2012
Bank loans and overdrafts	-	-
Trade creditors	57.0	63.3
Finance leases	3.2	3.8
Other creditors, accruals and deferred income	109.3	119.2
	169.5	186.3

Note 3 - Non-current liabilities	December 2011	December 2012
Bank loans and overdrafts	-	-
Finance leases	36.9	35.0
Senior secured notes	448.3	446.9
Other creditors, accruals and deferred income	112.4	178.4
	597.6	660.3

Senior secured notes are stated net of unamortised issue costs of £19.2m at December 2011.
Senior secured notes are stated net of unamortised issue costs of £16.6m at December 2012.

Note 4 - Net debt summary		December 2011	December 2012
Senior secured notes	*Note 3*	448.3	446.9
Unamortised issue costs	*Note 3*	19.2	16.6
Bank loans and overdrafts	*Note 2*	-	-
Finance leases (current liabilities)	*Note 2*	3.2	3.8
Finance leases (non-current liabilities)	*Note 3*	36.9	35.0
Cash		(73.0)	(52.1)
Net Debt		434.5	450.2

Risk Factors and other information

For a description of the following matters, please refer to the Offering Memorandum dated 13 May 2011, which is available on the group website (*http://www.odeonucicinemas.com*):

- discussion of material commitments and contingencies
- description of the business, management and shareholders
- material affiliate transactions
- description of material contractual arrangements, including material debt instruments
- description of material risk factors.

Other than as described in this Q4 and full year report, there have been no material changes to these matters up to the date of publication of this report.

Critical accounting policies are described in the 2012 audited consolidated statutory accounts of Odeon & UCI Bond Midco Ltd ("Odeon Midco"), which are published on the group website (*http://www.odeonucicinemas.com*).

Material recent developments are described earlier in this Q4 and full year report.